Revco D.S. broadens its financial team

TWINSBURG, Ohio — Freed from self-imposed hiring restrictions as it nears an end to Chapter 11 protection, Revco D.S. has promoted three executives within its financial wing and created a new position.

Brian Carney, who joined the chain in 1989 as director of general accounting, has been named vp and controller. Carney, 31, will oversee all corporate and store-level accounting functions, including daily operations, new financial systems development and financial reporting requirements.

Revco has named Charles Breckenridge to the new post of vp of control support services, responsible for preventing and controlling shrink at all levels. Breckenridge, 49, is a three-year Revco employee who last served as director of internal audit, and is a veteran of Coopers & Lybrand.

Finally, Gregory Wilson has been promoted to assistant treasurer, financial planning. The 43-year-old former director of financial planning and analysis joined Revco in 1985.

Hannaford Bros. net sales curbed by harsh economy

SCARBOROUGH, Maine — Hannaford Bros. Co. reported net sales for the first quarter ended March 28, 1992 at $486.8 million, a mere 0.2 percent increase over the $485.9 million reported for the same period last year.

James Moody Jr., chairman and ceo, said the slight sales increase was due to the harsh New England economy. He said the comparison was worsened by the fact that Easter fell in the second quarter this year, compared to its inclusion in the first quarter last year.

"Our customer traffic counts continue to increase, but sales per transaction remain lower than a year ago," he said. "Same store supermarket sales were down 2.6 percent from last year, reflecting both the economic environment and the Easter comparison factor."

Despite sluggish sales performances, Hannaford posted consolidated net earnings for the first quarter at $8.8 million, an increase of 8.9 percent over last year's first quarter earnings of $8 million.

"Gross margins have remained strong and our efforts to control costs throughout the organization have paid off," said Moody.

In a related development, Hannaford vp-finance Robert Wade told attendees at an analysts' meeting that Hugh G. Farrington, a 24-year Hannaford veteran, will absorb the title of ceo in addition to his role as president. Farrington will replace James L. Moody Jr., who served as Hannaford ceo since 1973.

Moody will continue as chairman of the board and will focus his attention on board activities and will assist in long-range planning, corporate development and external affairs.

Albertsons buys Jewel Osco stores

Continued from page 5

costs associated with the takeover will cut first-quarter net earnings by an estimated $25 million, the company said.

American Stores, meanwhile, will net about $325 million from the sale after liabilities and taxes. The money will be used to reduce long-term debt "consistent with the company's intention to reduce debt over time," American said in a statement. It added that it will show a one-time loss of about $20 million stemming from the sale.

The 74 stores generated about $1.45 billion in sales in fiscal 1991, American said, but sustained a pre-LIFO loss of $18 million. "Operations (for those stores) would not be profitable for the first quarter of fiscal year 1992," American added.

The sale cuts American Stores' supermarket operations to 939 grocery and combo stores, allowing it to concentrate on its profitable core markets, said a spokesman.

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MARKET DIARY:

Largest Dollar Gainer	Abbott Labs.	$ 2.75
Largest Dollar Loser	Carter-Wallace	$ − 9.00
Largest Percentage Gainer	Pharmaceutical Resources	13.95%
Largest Percentage Loser	Zenith Labs.	−10.81%

Advances	19
Declines	39
Unchanged	4
New highs	0
New lows	5

	Close 4/6/92	Close 4/20/92	Net Change	Percent Change
Drug Store News Index	4854.65	4769.98	−84.67	−1.74
Dow Jones Industrial Average	3275.49	3336.31	60.82	1.86
Standard & Poor's 500-Stock Index	405.59	410.16	4.57	1.13
N.Y.S.E. Composite	223.79	225.77	1.98	0.88
Value Line Index	254.54	252.78	− 1.76	−0.69

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 4/6/92	Closing Price 4/20/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	**Accuhealth Inc.**	ACCU	5.25	5.25	0.00	0.00	28	0.00	0.00	6.88	3.47
OTC	**Arbor Drugs**	ARBR	21.75	21.75	0.00	0.00	23	0.12	0.55	25.25	15.50
OTC	**Big B**	BIGB	15.00	14.13	−0.88	− 5.83	16	0.20	1.42	16.25	10.63
OTC	**Drug Emporium**	DEMP	8.13	7.75	−0.38	− 4.62	—	0.12	1.55	9.25	5.50
NYS	**Fay's Inc.**	FAY	9.63	9.50	−0.13	− 1.30	17	0.20	2.11	15.25	8.25
ASE	**Genovese Drug**	GDX.A	10.38	10.25	−0.13	− 1.20	10	0.24	2.34	14.75	9.13
NYS	**Longs Drug Stores (L)**	LDG	34.00	34.38	0.38	1.10	13	1.08	3.14	44.38	33.13
OTC	**Medicine Shoppe**	MSII	24.75	23.75	−1.00	− 4.04	18	0.36	1.52	30.75	19.00
NYS	**Perry Drug**	PDS	9.50	9.00	−0.50	− 5.26	13	0.00	0.00	11.63	5.88
NYS	**Rite Aid Corp.**	RAD	21.50	21.38	−0.13	−0.58	15	0.52	2.43	23.75	17.25
NYS	**Walgreen Co.**	WAG	35.88	34.50	−1.38	− 3.83	21	0.52	1.51	39.75	28.63
Wholesaler's transactions											
ASE	**Bergen Brunswig**	BBC	20.63	21.13	0.50	2.42	16	0.40	1.89	24.00	16.00
OTC	**Bindley Western Ind.**	BIND	16.13	14.63	−1.50	− 9.30	9	0.04	0.27	20.75	13.50
OTC	**Cardinal Distribution**	CDIC	28.50	26.00	−2.50	− 8.77	21	0.08	0.31	38.75	22.50
OTC	**Durr-Fillauer**	DUFM	22.50	23.50	1.00	4.44	16	0.28	1.19	34.75	17.50
NYS	**FoxMeyer Corp.**	FOX	14.00	12.88	−1.13	− 8.04	14	0.28	2.17	16.63	10.75
NYS	**McKesson Corp.**	MCK	32.75	32.88	0.13	0.38	15	1.60	4.87	40.13	32.00
ASE	**Moore Medical**	MMD	6.38	6.75	0.38	5.88	36	0.00	0.00	8.50	3.00
NYS	**Owens & Minor**	OMI	18.50	18.00	−0.50	− 2.70	18	0.20	1.11	24.25	12.16
Manufacturer's transactions											
NYS	**Abbott Labs**	ABT	60.50	63.25	2.75	4.55	24	1.20	1.90	69.75	48.38
NYS	**American Home Products**	AHP	76.63	76.13	−0.50	− 0.65	17	2.60	3.42	86.25	57.75
ASE	**Barr Laboratories**	BRL	19.00	17.38	−1.63	− 8.55	37	0.00	0.00	37.50	12.88
NYS	**Baxter International**	BAX	37.38	36.63	−0.75	− 2.01	17	0.84	2.29	40.88	31.50
OTC	**Block Drugs Co.**	BLOCA	57.00	53.50	−3.50	− 6.14	17	0.88	1.64	61.00	50.50
ASE	**Bolar Pharmaceutical**	BLR	10.25	9.63	−0.63	− 6.10	—	0.00	0.00	14.50	3.00
NYS	**Bristol-Myers Squibb (L)**	BMY	76.50	73.63	−2.88	− 3.76	18	2.76	3.75	90.13	73.00
NYS	**Carter-Wallace**	CAR	98.25	89.25	−9.00	− 9.16	30	1.00	1.12	137.50	60.13
ASE	**Columbia Labs**	COB	7.38	7.75	0.38	5.08	—	0.00	0.00	10.38	4.75
ASE	**Del Laboratories**	DLI	22.13	21.88	−0.25	− 1.13	16	0.28	1.28	24.38	15.38
ASE	**Forest Labs**	FRX	33.25	31.75	−1.50	− 4.51	30	0.00	0.00	43.63	28.63
ASE	**Halsey Drug**	HDG	6.38	5.81	−0.56	− 8.82	22	0.00	0.00	9.75	4.19
NYS	**ICN Pharmaceutical**	ICN	14.25	14.50	0.25	1.75	27	0.00	0.00	25.38	4.50
ASE	**Lee Pharmaceutical**	LPH	1.25	1.25	0.00	0.00	—	0.00	0.00	2.13	0.75
ASE	**Leiner P. Nutrition**	PLI	14.63	14.88	0.25	1.71	17	0.00	0.00	14.88	10.25
NYS	**Lilly Eli Co.**	LLY	72.13	69.75	−2.38	− 3.29	16	2.20	3.15	87.75	69.50
NYS	**Marion Merrell Dow**	MKC	33.13	34.50	1.38	4.15	17	0.92	2.67	39.00	27.25
NYS	**Merck Co.**	MRK	149.38	144.38	−5.00	− 3.35	25	2.76	1.91	169.75	107.38
NYS	**Mylan Labs**	MYL	37.38	34.38	−3.00	− 8.03	34	0.20	0.58	43.25	22.00
NYS	**Novo-Nordisk**	NVO	83.00	84.38	1.38	1.66	18	0.60	0.71	96.00	61.00
OTC	**Nutramax Products**	NMPC	11.25	10.63	−0.63	− 5.56	27	0.00	0.00	12.50	5.50
NYS	**Pfizer Inc.**	PFE	71.38	66.50	−4.88	− 6.83	30	1.48	2.23	87.00	54.00
NYS	**Pharmaceutical Resources**	PRX	5.38	6.13	0.75	13.95	—	0.00	0.00	8.00	2.63
NYS	**Rhone-Poulenc Rorer**	RPR	57.25	53.25	−4.00	− 6.99	22	0.56	1.05	69.38	39.13
NYS	**Schering Plough**	SGP	56.38	53.25	−3.13	− 5.54	18	1.32	2.48	68.00	47.25
NYS	**Syntex Corp.**	SYN	46.25	42.63	−3.63	− 7.84	21	0.92	2.16	56.00	36.75
OTC	**Taro-Vit Industries**	TAROF	9.25	10.25	1.00	10.81	85	0.00	0.00	12.75	3.25
OTC	**Teva Pharmaceutical Ind.**	TEVIY	25.38	24.88	−0.50	− 1.97	25	0.20	0.80	28.38	11.75
NYS	**Upjohn Co. (L)**	UPJ	37.00	35.25	−1.75	− 4.73	12	1.36	3.86	47.88	35.13
NYS	**Warner-Lambert (L)**	WLA	62.75	61.63	−1.13	− 1.79	59	2.04	3.31	79.25	61.50
OTC	**Zenith Labs**	ZENL	18.50	16.50	−2.00	−10.81	45	0.00	0.00	24.25	7.00
Other retailer transactions											
NYS	**Albertson's**	ABS	43.88	44.63	0.75	1.71	23	0.64	1.43	49.38	32.75
NYS	**American Stores**	ASC	33.38	33.63	0.25	0.75	10	0.68	2.02	45.38	26.00
NYS	**Giant Food**	GFS.A	21.88	21.13	−0.75	− 3.43	14	0.64	3.03	30.38	20.63
NYS	**Great Atlantic&Pacific Tea**	GAP	33.25	34.13	0.88	2.63	18	0.80	2.34	52.75	25.00
NYS	**Kmart**	KM	52.00	49.75	−2.25	− 4.33	13	1.84	3.70	55.00	38.13
NYS	**Kroger**	KR	16.88	18.50	1.63	9.63	15	0.00	0.00	24.50	15.38
NYS	**Melville Corp.**	MES	47.88	48.75	0.88	1.83	15	1.48	3.04	55.25	38.25
OTC	**Fred Meyer**	MEYR	23.75	25.63	1.88	7.89	14	0.00	0.00	29.25	16.00
NYS	**Penney, JC**	JCP	64.75	63.50	−1.25	− 1.93	16	2.64	4.16	67.75	47.13
NYS	**Safeway (L)**	SWY	15.63	14.88	−0.75	− 4.80	26	0.00	0.00	20.63	14.38
NYS	**Smith's Food & Drug**	SFD	38.00	36.88	−1.13	− 2.96	22	0.44	1.19	43.25	30.25
NYS	**Wal-Mart**	WMT	52.88	52.88	0.00	0.00	38	0.20	0.38	59.88	39.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

IRI Highlights: $10 million + HBA power categories

HBA leaders at drug stores
(Dollar sales in millions)

	13-week ended 12/29/91		13-week ended 12/29/91		13-week ended 12/29/91		13-week ended 12/29/91
Cold & sinus tab/cough	$281.3	**Laxatives**	$95.9	**Shaving lotion**	$67.5	**External analgesics rubs**	$26.2
Internal analgesics	274.3	**Hair coloring**	94.7	**Hair conditioners**	66.9	**Cotton balls**	23.1
Bath products	176.5	**Razors**	92.8	**Dental accessories**	62.4	**Shaving cream**	20.2
Vitamins	166.6	**Misc. remedies**	91.6	**Mouthwash**	53.7	**Misc. health treatment**	20.2
Facial moisturizer/ cleanser	154.3	**Toothpaste**	88.1	**Foot care products**	49.7	**Misc. health tablets**	18.0
Eye/contact lens care	142.3	**Antacids**	85.8	**Nasal spray**	49.6	**Moist towelettes**	16.1
Sanitary protection	131.1	**Cough syrup**	65.5	**Hair styling gel/mousse**	48.5	**Oral hygiene**	15.4
Feminine needs	110.6	**Hand & body lotion**	79.3	**Diet aids**	41.7	**Diet pills**	12.2
Shampoo	108.4	**Cold/allergy liq/pda**	76.9	**Denture products**	36.1	**Home permanent kits**	11.5
Deodorant	102.0	**Hair spray**	75.5	**First aid treatment**	30.4	**Misc. hair care**	10.3
		First aid accessory	68.6	**Misc. remedy tablets**	27.8		

Source: Information Resources Inc., Infoscan. Total U.S. drug stores.

Drug chains and supermarkets match up in only two of the top five highest-volume health and beauty aids categories, reveals Infoscan data from Information Resources Inc., Chicago, for the quarter ended Dec. 29, 1991.

The drug trade class was led by cold and sinus remedies, internal analgesics, bath products, vitamins and facial moisturizers-cleansers. Their combined volume in the period was $1.05 billion.

In supermarkets, internal analgesics, sanitary protection, cold and sinus remedies, toothpastes and shampoos tallied $1.03 billion.

Core HBA varies by trade class, as these charts depict.

HBA leaders at supermarkets
(Dollar sales in millions)

	13 weeks ended 12/29/91
Internal analgesics	$263.2
Sanitary protection	214.6
Cold & sinus tab/ cough	206.9
Toothpaste	182.5
Shampoo	160.0
Deodorant	158.4
Vitamins	94.2
Razors	88.1
Facial moisturizer/ cleanser	80.4
Mouthwash	78.0
Hair spray	73.5
Eye/contact lens care	73.4
Antacids	70.9
Hair conditioners	66.9
Cold/allergy liq/pdr	63.2
Dental accessories	62.4
Cough syrup	59.3
Hand & body lotion	57.8
Moist towelettes	53.1
Feminine needs	51.3
Misc. remedies	50.9
Diet aids	50.6
Laxatives	39.7
Hair styling gel/ mousse	34.6
Bath products	32.1
Denture products	29.6
Nasal spray	29.1
Hair coloring	28.8
Cotton balls	28.5
First aid accessory	27.9
Foot care products	23.2
Shaving cream	22.9
Shaving lotion	19.0
First aid treatment	16.0
Misc. remedy tablets	14.5
Misc. health tablets	12.5
External analgesic rubs	10.5

Source: Information Resources Inc., Infoscan. Total U.S. supermarkets.

MARKETPLACE...AND ALL THAT JAZZ!

DRUG STORE NEWS
Gallup 91
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Drug stores entice cosmetics customer

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Under the gun, drug chains run harder

The pace of business demands is accelerating. Part I of the *Drug Store News Annual Report* detailed how some core merchandise categories lifted drug chain volume by 8.9 percent to $48.4 billion. Part II of our coverage reports on management strategies that helped attain that gain—while wringing maximum profits from some hard-earned advances.

Tactics vary, but common themes underlie the winning approaches of many chains: sophisticated computerization and burgeoning use of EDI; the application of stringent performance standards to stores; effective target marketing; clustering stores for the greatest efficiencies in advertising, distribution and supervision; debt retirement; lean and mean management teams.

There'll be no catching breath in 1992, as drug chains dash for first place in the race for consumer favor. Convenience is in their corner. Health care expertise also keeps them distinctive. And greater outreach through delivery services, pharmacist consultations, quality photofinishing and frequent shopper programs add further drive.

It's clear that drug chains, under the gun, are running harder.

Chain leaders target core areas for success

Tim McAlear, President, ceo, PayLess

The past year has been a difficult one for retailers. People say it is because of the war, the aging of Americans, increased foreign competition, the Administration, Congress. You name it—people blame it.

PayLess Drug Stores had a good year in fiscal 1991. In fact, we were ahead of plan until sales softened in the fall.

What happened in December that created such disturbing sales figures for retailers? For starters, the consumer media had a field day. Scared customers were interviewed on the street corners and in shopping malls across America who stated they were "cutting back" this Christmas.

All of this consumer media attention created anxiety among retailers as well as customers. Our survey of Oregon retailers pointed out that they all "did better than expected." They were "lucky."

Maybe they were not so lucky; maybe things were not as bad out there as everybody had been led to believe. And, our recent sales figures have shown a marked improvement.

However, I believe those businesses that are waiting for the recession to end are in for a long wait. I believe the economy will grow much more slowly in the next decade than it has in the past. I believe the customer is changing and those retailers who can remain flexible will be successful. Those who are not capable of listening to their customers and making whatever changes are necessary to keep their business will not be around in the year 2000.

The major challenge for drug stores is to keep their eye on the ball. It is too easy to get lost in the merchandise hysteria of trying to compete with the "big boxes." We have continued to focus on our core departments—pharmacy and OTC, cosmetics and HBA and camera and photofinishing.

Today, we are working harder, smarter and more efficiently than ever. We believe our customer will not shop us unless we offer real benefits, such as price, selection and convenience.

We have identified our customers and why they shop us, we have a better understanding of what we do right and what we do wrong and we intend to maintain the flexibility we need to respond immediately to the needs of an ever changing marketplace.

Eugene Applebaum, Chairman, ceo, Arbor

From superstores to megamalls to warehouse clubs to category killers, the talk of the retail community has centered on the hot new retail formats. While these new entities are drawing attention, the conventional drug store—which serves the needs of today's time-stressed and health-focused shoppers—has proven to be one of retailing's strongest performers.

Many drug stores which have strayed from their origins in health care are now returning to their roots. While some drug store chains have experimented in their stores with everything from auto parts to video rental, Arbor has never strayed from its traditional drug store format, which emphasizes convenience and health care. It is no coincidence that our market share has doubled since 1986, and Arbor has the highest sales per square foot and best net profit percentage in the drug store industry.

In today's fiercely competitive environment, it is especially important that a chain be "stores-driven" from the top down. At Arbor, four of our top corporate officers, including myself, are registered pharmacists and came up through the stores' operation. Importantly, we are owner/managers, with Arbor management owning more than 35 percent of the company's outstanding stock. As a result, all decisions are evaluated for their long-term impact, not just immediate results.

A successful drug store chain cannot rest on its laurels. To this end, in the last three years alone, Arbor has invested over $10 million in additional pharmacy computer systems and point-of-sale technology, establishing a significant competitive edge for our company.

The formula for success in the drug store industry is clear-cut. Execution and consistency are the keys. It is important that drug stores today resist the temptation of copying what works for other retail formats and stick to the basics: a focus on the core pharmacy department, getting customers in and out of the stores quickly; maintaining strong in-stock positions with competitive day-to-day prices; and providing pleasant, courteous customer service.

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The Annual Report Part II section was a team effort. **James Frederick** wrote Walgreens, American Stores, Revco, Phar-Mor, Perry, F&M, Drug Emporium, Arbor and Thrift. **Barbara White** wrote CVS, Fay's, Genovese, Rite Aid, Hook-SupeRx and Shoppers Drug Mart. **Allene Symons** wrote Longs, Thrifty and PayLess, and store formats coverage. **Mike Troy** wrote Eckerd, Big B, and acquisitions coverage. **Al Heller** wrote the overview section.

Chains slow store growth, emphasize core areas to stay strong in '91

Top 50 American drug chains: 1991 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY ends
1.	**Walgreens**	Deerfield, Ill.	$6,733	11.3%	1,646	5.2%	8/31/91
2.	**Eckerd**[1]	Clearwater, Fla.	3,800	9.0	1,675	0.1	2/01/92
3.	**Rite Aid**	Shiremanstown, Pa.	3,748	8.7	2,452	1.3	2/29/92
4.	**American**	Oak Brook, Ill.	3,730	0.9	711	4.4	2/01/92
5.	**CVS**	Woonsocket, R.I.	3,395	3.0	1,258	− 6.9	12/31/91
6.	**Phar-Mor**	Youngstown, Ohio	2,860	79.0	250	7.2	6/30/91
7.	**Longs**	Walnut Creek, Calif.	2,366	1.0	266	1.9	1/30/92
8.	**Hook-SupeRx, Inc.**[2]	Cincinnati	1,994	7.0	1,094	0.6	8/31/91
9.	**Revco**	Twinsburg, Ohio	1,900	−24.0	1,150	2.1	5/30/91
10.	**PayLess**	Wilsonville, Ore.	1,892	15.0	401	24.9	1/25/92
11.	**Thrifty**[3]	Los Angeles	1,808	−23.0	620	−17.1	12/29/91
12.	**Drug Emporium**[4]	Worthington, Ohio	1,500E	43.0	231	0.9	2/28/92
13.	**Thrift**	Pittsburgh	920	0.3	541	10.4	1/25/92
14.	**Fay's**	Liverpool, N.Y.	765	14.0	252	27.9	1/25/92
15.	**F&M**	Warren, Mich.	700E	17.0	107	11.5	1/31/92
16.	**Perry**	Pontiac, Mich.	641	3.0	212	− 7.0	10/31/91
17.	**Medicine Shoppe**[5]	St. Louis	609	14.0	892	2.5	9/30/91
18.	**Pay 'N Save**	Seattle, Wash.	547	4.0	123	0.0	12/29/91
19.	**Big B**	Bessemer, Ala.	488	5.0	301	− 2.0	2/01/92
20.	**Genovese**	Melville, N.Y.	447	4.0	98	2.1	1/31/92
21.	**K&B**	New Orleans	446	7.0	170	6.3	9/30/91
22.	**Arbor**	Troy, Mich.	406	19.0	121	23.5	7/31/91
23.	**Pic N' Save**	Jacksonville, Fla.	373E	NA	38	− 7.0	12/31/91
24.	**Marc's**	Middleburg, Ohio	325E	5.0	23	10.0	6/30/91
25.	**Reliable Drug**	Indianapolis	315	− 7.0	264	0.8	7/30/91
26.	**ALP Freddy's**	Woonsocket, R.I.	275	4.0	38	0.0	9/30/91
27.	**Duane Reade**	Long Island City, N.Y.	240	9.0	38	5.6	12/31/91
28.	**Rockbottom**	Port Washington, N.Y.	230	8.0	31	6.9	1/31/92
29.	**Discount Drug Mart**	Medina, Ohio	200	15.0	32	10.3	3/31/92
30.	**Super D**	Memphis, Tenn.	190E	6.0	111	8.8	4/30/91
31.	**Harco**	Northport, Ala.	165E	10.0	117	1.7	7/31/91
32.	**Kerr**	Raleigh, N.C.	163	8.0	93	2.2	6/30/91
33.	**SGC Drug Store Div.**	Woodbridge, N.J.	160E	6.5	32	0.0	2/02/92
34.	**Drug Fair of N.J.**	Somerville, N.J.	139	8.0	34	0.0	7/28/91
35.	**Snyder**	Minnetonka, Minn.	138	3.0	62	0.0	7/27/91
36.	**Medi-Save**[6]	Baton Rouge, La.	125	15.0	113	− 2.6	5/31/91
37.	**A.D. Clark**	Los Angeles	115	− 8.0	19	0.0	12/31/91
38.	**LaVerdiere's**	Winslow, Maine	101E	1.0	67	3.0	1/31/92
39.	**Rx Plus**	Phoenix, Ariz.	100	NA	88	NA	6/30/91
40.	**Wellby**	Portland, Maine	100	8.0	41	0.0	12/28/91
41.	**Thrifty/White**	Minneapolis	99E	1.0	53	− 3.6	4/30/91
42.	**Kinney Drugs**	Gouverneur, N.Y.	97	9.0	36	9.1	12/31/91
43.	**Taylor**	Louisville, Ky.	93E	− 7.0	38	− 9.5	4/30/91
44.	**Standard**	Richmond, Va.	83E	1.2	60	0.0	3/31/92
45.	**Douglas Maxi Drug**	N. Providence, R.I.	83	5.0	21	0.0	3/31/92
46.	**Bartell**	Seattle, Wash.	82	9.0	37	5.7	12/31/91
47.	**Bill's**	Benecia, Calif.	80	− 8.0	24	− 7.7	3/31/92
48.	**L.F. Widmann**	Lock Haven, Pa.	64	7.0	114	0.9	1/02/92
49.	**Drug Town**	Chariton, Iowa	63E	NA	19	− 5.0	12/31/91
50.	**True Quality**	McKinney, Texas	62	17.0	61	0.0	6/30/91

1. Includes Eckerd VisionWorks stores
2. Includes 406 Hooks, 342 SupeRx and 346 Brooks stores
3. Includes 551 Thrifty and 69 Thrifty Jr. stores.
4. Includes 127 company-owned and 104 franchised stores. Figures not released at press time.
5. Data based on calendar year
6. Store count includes retail stores only, not institutional pharmacies

Source: *Drug Store News* 1992 chain drug survey.

Top Canadian drug chains

Company	Headquarters	Drug store sales, latest FY (millions $ Canadian)	% change	Store totals	% change
Shoppers Drug Mart	Willowdale, Ont.	$2,934	3%**	671	4%
Jean Coutu	Longeuil, Quebec	1,135	19	218***	8
London Drugs	Richmond, B.C.	654	NA	39	8
Pharmasave	Langley, B.C.	400	13	181	11
Big V	London, Ont.	395	16	117	11
Pharma Plus Drugmarts	Toronto, Ont.	350E	NA	155	NA
Cumberland	Montreal, Quebec	175	NA	48	7
Lawton's	Dartmouth, N.S.	150	NA	66	− 4

E Estimated
** Without change in tax system, gain would have been 8%.
*** Including 21 Douglas Maxi Drug stores

Source: *Drug Store News* 1992 Chain Drug Survey.

Evolving character of the chain drug industry

	No. of companies			No. of stores		
Chain store size	**1981**	**1991**	**% change**	**1981**	**1991**	**% change**
Two- to three-store companies	1,817	1,103	−39.3	4,149	2,529	−39.0
Four- to 10-store companies	478	349	−27.0	2,413	1,875	−22.3
11- or more-store companies	144	116	−19.4	12,251	18,657	+52.3
Totals	2,439	1,568	−35.7	18,813	23,061	+22.6

Source: *Chain Store Guides.*

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store (000)	Sales per sq. ft. of sell space
Duane Reade	5,000	5,000	$ 6,316	1,263
Medisave Pharmacies	1,000	1,000	1,102	1,102
Medicine Shoppe	1,162	650	683	1,051
Longs	24,000	16,000	8,894	556
Rockbottom	17,000	16,000	7,419	464
Arbor	10,800	8,300	3,355	449
Genovese	12,000	10,500	4,563	435
I Got it at Gary's	25,000	23,500	10,000	426
Walgreens	13,800	9,700	4,091	422
Wellby	7,500	6,000	2,439	407
Kinney	8,000	6,600	2,681	406
F&M	25,000	17,000	6,542	385
Snyder's	11,000	8,830	3,339	378
Perry	10,540	8,200	3,023	369
Discount Drug Mart	22,000	17,000	6,251	368
Fay's	13,200	10,600	3,318	313
Douglas Maxi Drug	15,000	13,500	3,952	293
American	20,000	18,000	5,246	291
Bartell	10,500	8,500	2,216	261
Rite Aid	7,000	6,000	1,529	255
Bill's	16,000	13,500	3,333	247
Revco	8,450	6,816	1,652	242
Pay 'N Save	22,872	18,754	4,448	237
Thrift	9,600	7,500	1,733	231
Kerr	9,600	8,000	1,753	219
K&B	14,589	12,794	2,624	205
Community Dist.	20,000	20,000	4,074	204
Big B	9,000	8,000	1,621	203
Reliable	7,000	6,000	1,193	199
Thrifty	19,000	16,000	2,917	182
L.F. Widmann	3,500	3,100	561	181
A.D. Clark	45,000	39,000	6,053	155
Rx Plus	8,450	7,550	1,136	151

Source: *Drug Store News* 1992 chain drug survey.

Chains slow store growth to stay strong in '91

10-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1991	51,207	20,532	40%	30,675	60%
1990	53,595	21,096	39	32,499	61
1989	54,439	20,427	38	34,012	62
1988	54,172	19,859	37	34,313	63
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67

Source: Chain Store Guides.

10-year sales trends
(in billions of dollars)

Year	Total industry	Percent change	Total chain	Percent change	Total indep.	Percent change
1991*	$74.9	8%	$48.4	9%	$26.5	6%
1990	67.6	8	43.2	9	24.4	6
1989	62.9	9	39.9	11	23.0	5
1988	57.9	8	36.0	10	21.9	5
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5

Source: *Drug Store News* 1992 Chain Drug Survey. *1991 figures are based on Commerce Dept. statistics rather than on other industry sources, as in the past. Earlier-year figures have not been restated, and therefore are not comparable with 1991.

Top 50 American drug chains: 1991 store totals*

Rank	Company	Headquarters	Store totals	% change
1.	**Rite Aid**	Shiremanstown, Pa.	2,452	1.3%
2.	**Eckerd**	Clearwater, Fla.	1,675	0.1
3.	**Walgreens**	Deerfield, Ill.	1,646	5.2
4.	**CVS**	Woonsocket, R.I.	1,258	– 6.9
5.	**Revco**	Twinsburg, Ohio	1,150	0.0
6.	**Hook-SupeRx, Inc.**[1]	Cincinnati	1,094	0.6
7.	**Medicine Shoppe**	St. Louis	892	2.5
8.	**American**	Oak Brook, Ill.	711	4.4
9.	**Thrifty**[2]	Los Angeles	620	0.0
10.	**Thrift**	Pittsburgh	541	10.4
11.	**PayLess**	Wilsonville, Ore.	401	24.9
12.	**Big B**	Bessemer, Ala.	301	– 2.0
13.	**Longs**	Walnut Creek, Calif.	266	1.9
14.	**Reliable**	Indianapolis, Ind.	264	0.8
15.	**Fay's**	Liverpool, N.Y.	252	27.9
16.	**Phar-Mor**	Youngstown, Ohio	250	7.2
17.	**Drug Emporium**[3]	Worthington, Ohio	231	0.9
18.	**Perry**	Pontiac, Mich.	212	– 7.0
19.	**K&B**	New Orleans	170	6.3
20.	**Pay 'N Save**	Seattle, Wash.	123	0.0
21.	**Harco**	Northport, Ala.	117	1.7
22.	**L.F. Widmann**	Lock Haven, Pa.	114	0.9
23.	**Medi-Save**[4]	Baton Rouge, La.	113	– 2.6
24.	**Arbor**	Troy, Mich.	112	14.3
25.	**Super D**	Memphis, Tenn.	111	8.8
26.	**F&M**	Warren, Mich.	107	16.3
27.	**Genovese**	Melville, N.Y.	98	2.1
28.	**Kerr**	Raleigh, N.C.	93	2.2
29.	**Rx Plus**	Phoenix, Az.	88	NA
30.	**LaVerdiere's**	Winslow, Maine	67	3.0
31.	**Snyder**	Minnetonka, Minn.	62	0.0
32.	**True Quality**	McKinney, Texas	61	15.1
33.	**Standard**	Richmond, Va.	60	0.0
34.	**Thrifty/White**	Minneapolis	53	– 3.6
35.	**Wellby**	Portland, Maine	41	0.0
36.	**Pic n' Save**	Jacksonville, Fla.	41	0.0
37.	**Taylor**	Louisville, Ky.	38	– 9.5
38.	**Duane Reade**	Long Island City, N.Y.	38	5.6
39.	**ALP Freddy's**	Rochester, N.Y.	38	0.0
40.	**Bartell**	Seattle, Wash.	37	5.7
41.	**Kinney Drugs**	Gouverneur, N.Y.	36	9.1
42.	**Drug Fair of N.J.**	Somerville, N.J.	34	0.0
43.	**Discount Drug Mart**	Medina, Ohio	32	10.3
44.	**SGC Drug Store Div.**	Woodbridge, N.J.	32	0.0
45.	**Rockbottom**	Port Washington, N.Y.	31	6.9
46.	**Medic Discount Drug**	Cleveland, Ohio	25	8.7
47.	**Bill's**	Benecia, Calif.	24	– 7.7
48.	**Marc's**	Middleburg, Ohio	23	10.0
49.	**Douglas Maxi Drug**	Smithfield, R.I.	21	0.0
50.	**A.D. Clark**	Los Angeles, Calif.	19	0.0

*As of latest completed fiscal years.
1. Includes 406 Hook, 342 SupeRx, and 346 Brooks stores.
2. Includes Thrifty and Thrifty Jr. stores.
3. Includes 551 Thrifty and 69 Thrifty Jr. stores.
4. Includes retail stores only, not institutional pharmacies

Source: *Drug Store News'* 1992 chain drug survey.

Chain drug store remodeling

Company	'91 total stores	Number of major remodels 1991	1990	1989
Revco	1,150	339	270	NA
Walgreens	1,646	133	165	166
Rite Aid	2,452	110	132	237
Eckerd	1,675	68	135	189
Longs	266	50	3	0
Thrifty	620	41	9	14
Medicine Shoppe	892	30	35	35
Thrift	541	25	37	30
Perry	212	25	38	50
Super D	111	20	0	NA
Douglas Maxi Drug	21	15	3	NA
K&B	170	10	2	NA
Genovese	98	8	6	NA
L.F. Widmann	114	7	4	NA
Kerr	93	7	9	4
Community Distributors	34	7	0	NA
Snyder's	62	6	6	8
Bartell	37	6	8	2
Big B	301	5	10	12
Phar-Mor	250	5	10	4
ALP Freddy's	38	5	3	NA
PayLess	401	4	8	6
Reliable	264	4	0	0
Medi-Save	113	4	3	NA
Fay's	252	3	1	NA
F&M	107	3	3	3
Taylor	38	3	4	1
Kinney	36	3	2	2
Pay 'N Save	123	2	5	NA
Discount Drug Mart	32	2	2	NA
Bill's	24	1	3	NA

Source: *Drug Store News* 1992 chain drug survey.

Drug industry takes a breather in acquisitions

A paltry 457 drug stores changed hands in 1991 with most of the acquisitions resulting from chains buying stores to strengthen market positions or abandoning far-flung or unprofitable stores.

In the case of Melville Corp., parent company of Consumer Value Stores and the year's most active chain, 85 stores in California were sold to American Drug Stores as CVS gave up on the West Coast. American, parent company of Osco and Sav-on, aided CVS' Southern California departure while adding to its existing 221 Sav-on stores.

CVS also divested its 33-store Health Mart division to pull out of western Pennsylvania. Pittsburgh-based Thrift Drug bought 31 of the stores and kept 26 open. Health Mart founders Robert and Dolores Gable bought two of the stores to return to business for themselves. Revco D.S. also got in on the CVS action when the U.S. Bankruptcy Court allowed it to acquire 31 of CVS' Peoples drug stores in Virginia and North Carolina.

Melville Corp. also sold 24 Freddy's deep discount stores to A.L. Price. The stores are located in New York and Florida.

As Melville and CVS were eliminating or lessening positions in California, Pennsylvania, Virginia, North Carolina, Florida and New York, it was strengthening its stronghold in the upper northeast with the acquisition of 29 Thayer Pharmacies in Massachusetts. The past year's activity at CVS left the company with 1,258 stores in 1991, compared with 1,351 stores at the close of 1990.

The year's other big deal involved Albertsons' acquisition of 74 Jewel-Osco combination food and drug stores in Texas, Oklahoma, Florida and Arkansas. Jewel-Osco's parent company American Stores cited competitive and economic concerns and a desire to raise cash to pay down long-term debt as reasons for the sale. The sale benefited Albertsons by helping the chain bolster its presence in the South.

There were few large transactions in 1991 and store acquisitions fell far below the previous year's total of 1,273 stores. Contributing to the 1990 total was CVS' purchase of 490 Peoples Drug Stores from Imasco Ltd. and Revco's sale of 441 stores—220 to the Jack Eckerd Corp. and 221 to Reliable.

Eckerd and Rite Aid would have pushed the 1991 acquisition figure considerably higher had their attempts to buy all Revco stores been successful. More than 1,150 Revco stores were sought by both chains, but neither could convince creditors of the Chapter 11 drug chain that their buyout plan offered them the best deal.

Other notable acquisitions during the past year included:

•Alco Health Services Corp. bought 57 Eagle Drugs stores in the Minneapolis-St. Paul market. The Eagle Drugs name was retained and Alco said it plans to increase the size of the Eagle distribution center from 35,000 square feet to 80,000 square feet. Alco also plans to close its 20,000-square-foot facility in Mankato.

•PayLess bought 51 Osco stores located in Utah, Colorado, and Wyoming from American Drug.

•An investment team headed by former Gray Drug Stores president Fred Barney bought 17 Perry Drug Stores in the Chicago area. The stores will be renamed Chicago Drug Mart and will change to a deep discount format. Perry has withdrawn from the Chicago market and now only operates stores in Michigan.

The year's acquisition activity

Company	Acquisition	Store locations
American Drug Stores	85 Consumer Value Stores	California
Albertsons	74 Jewel/Osco combination food and drug stores	Texas, Okl., Fla. and Ark.
Alco Health Services	57 Eagle Drugs	Minneapolis/ St. Paul
PayLess	51 Osco stores from American Drug	Colo., Utah, Wyo.
Thrift Drug	33 Health Mart/CVS	Pennsylvania
Revco D.S.	31 Consumer Value Stores	Va., N.C.
Consumer Value Stores	29 Thayer Pharmacies	Massachusetts
A.L. Price	24 Freddy's Deep Discount Drug Stores	Fla., N.Y.
Fred Barney (& investment group)	17 Perry Drug Stores	Chicago
K&B	8 Osco Drugs	Tennessee
Fay's	48 Carls Drug Stores	Upstate N.Y.

Source: *Drug Store News* research.

Drug stores show stock strength in tough economy

Drug store stocks once again showed their resolve despite a weak national economy and posted invigorating gains on Wall Street during the yearly trading session ended April 1, 1992.

The result, not surprisingly, was a corresponding white-hot rally in the *Drug Store News* Stock Index, which tracks the financial health of the industry regularly throughout the year. The box score for the *DrSN* Stock Index in the yearly period just ended: up a dizzying 950 points, or 22.9 percent, en route to a record 5103.85.

In comparison, stocks nationwide, as represented by the Dow Jones Industrial Average and the Standard & Poor's 500, paled next to the *Drug Store News* Stock Index last year. The bottom line for the Dow and S&P: up 12.8 percent and 8.9 percent, respectively. In other words, drug store stocks outperformed the S&P 500 by better than a 2-to-1 ratio en route to a rash of record highs.

The reason for last year's robust results: simply put, budget-conscious buyers flocked to these companies for their low prices and good selection. People needed to stretch buying power to the maximum. In turn, Wall Street analysts issued numerous "buy" recommendations on these firms because of their strong income statements now, and the stronger ones anticipated when the national economy revives. In the past, these retail issues have led economic rebounds and investors were betting on a repeat performance in 1992.

Of all the drug store retailers, none performed better than Walgreen, whose share price soared $15.25 a share, or 72.62 percent, to $36.25. Among the reasons behind the strong move upward last year for Walgreen: second-quarter earnings per share rose to 62 cents from 55 cents a share at this time last year; February sales swelled 14 percent to $606 million, on top of January's 11.5 percent gain in sales. As a result, Walgreen garnered largest dollar and percentage-gained honors of all drug store retail stocks during the period.

> *The box score for the* DrSN *Stock Index was up a dizzying 22.9 percent, en route to a record high.*

Also popular with investors last year was Big B, which stood by as its stock price rose a robust 50.1 percent to $16. Why the powerful move upward for Big B? The drug chain operator boosted its quarterly dividend 25 percent to 4 cents a share after recording fourth-quarter earnings per share of 43 cents. Big B posted profits of 33 cents a share in the fourth-quarter of 1990.

Next in line behind Big B was Rite Aid. The reasons: like Big B and Walgreen, a strong income statement triggered the rally on Wall Street. Specifically, Rite Aid said fourth-quarter numbers came in as follows: earnings per share rose to 51 cents a share from 47 cents a year earlier. In other news, Rite Aid said it sees fiscal 1992 net income up about 15 percent overall. The result: Rite Aid's stock rose 45.1 percent before coming to rest at $22.13.

Other winners on Wall Street last year: Genovese Drug (up 37.7 percent to $10.50), Perry Drug (up 23.1 percent to $10) and Medicine Shoppe (up 16.3 percent to $25.88).

Some retailers, however, could not escape the clutches of disappointed investors last year. Take Longs Drug Stores for example, as its share price slid $5.50 a share, or 13.5 percent, before closing at $35.25. Unlike its competition, Longs Drug Stores' fourth-quarter results were lower than expected, fueling a stock sell-off last year. The bottom line at Longs last quarter: earnings per share eased backwards to 76 cents from 85 cents a share in the year-ago period.

Exch	Company	Ticker Symbol	Closing Price 4/1/91	Closing Price 4/1/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.44	5.25	– 0.19	– 3.49	28	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	21.00	19.75	– 1.25	– 5.95	21	0.12	0.61	25.25	15.50
OTC	Big B	BIGB	10.63	16.00	5.38	50.59	19	0.20	1.25	16.25	10.63
OTC	Drug Emporium	DEMP	7.38	8.38	1.00	13.56	—	0.12	1.43	9.38	5.50
NYS	Fay's Inc.	FAY	8.75	10.13	1.38	15.71	18	0.20	1.98	15.75	8.25
ASE	Genovese Drug	GDX.A	7.63	10.50	2.88	37.70	12	0.24	2.29	14.75	9.13
NYS	Longs Drug Stores	LDG	40.75	35.25	– 5.50	– 13.50	13	1.08	3.06	44.38	33.38
OTC	Medicine Shoppe	MSII	22.25	25.88	3.63	16.29	19	0.36	1.39	30.75	19.00
NYS	Perry Drug	PDS	8.13	10.00	1.88	23.08	14	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	15.25	22.13	6.88	45.08	15	0.52	2.35	23.75	17.25
NYS	Walgreen Co.	WAG	21.00	36.25	15.25	72.62	22	0.52	1.43	39.75	28.63

Note: Rite Aid completed a 2-for-1 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

This information is based on sources believed to be reliable, and while extensive efforts are made to assure its accuracy, no guarantees can be made. Nordby International and Drug Store News assume no liability for any inaccuracies.

Customized reports for any industry or region are available upon request from Nordby International (303) 449-0326.

New designs change with the times

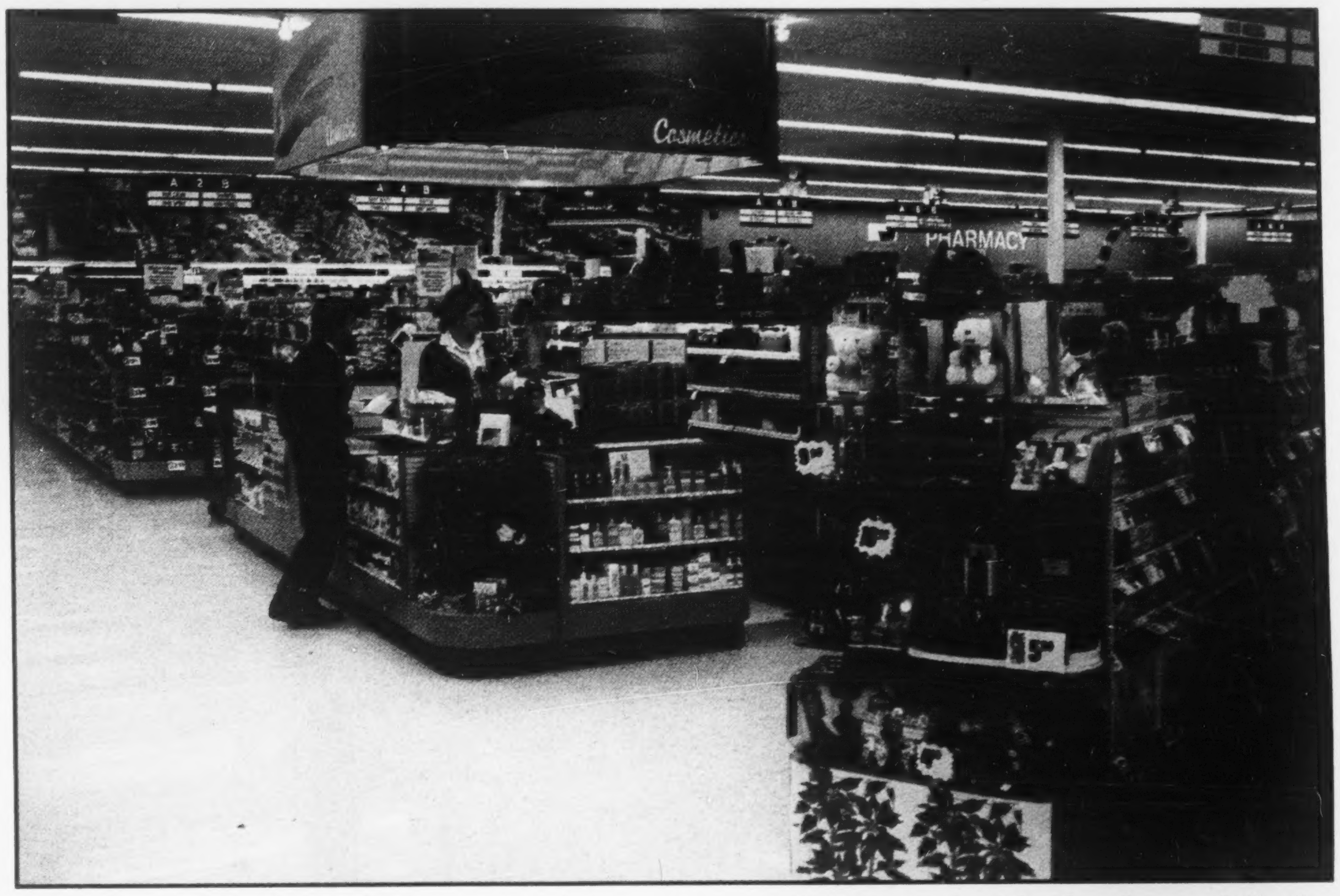
More than half a dozen drug chains launched prototypes or modified formats in recent months to meet the challenge of changing times. Declines in shopping center construction have many chains expanding through existing structures and making the most of available space.

Pharmacy is on the move, too. Patient counseling drives a redesign trend to bring the pharmacist out from behind glass to a customer-friendly counter while also creating space for a patient waiting area. Since pharmacy's growth as a percentage of drug chain sales is fueled by low-margin third-party programs, this motivates chains to energize front-of-store business.

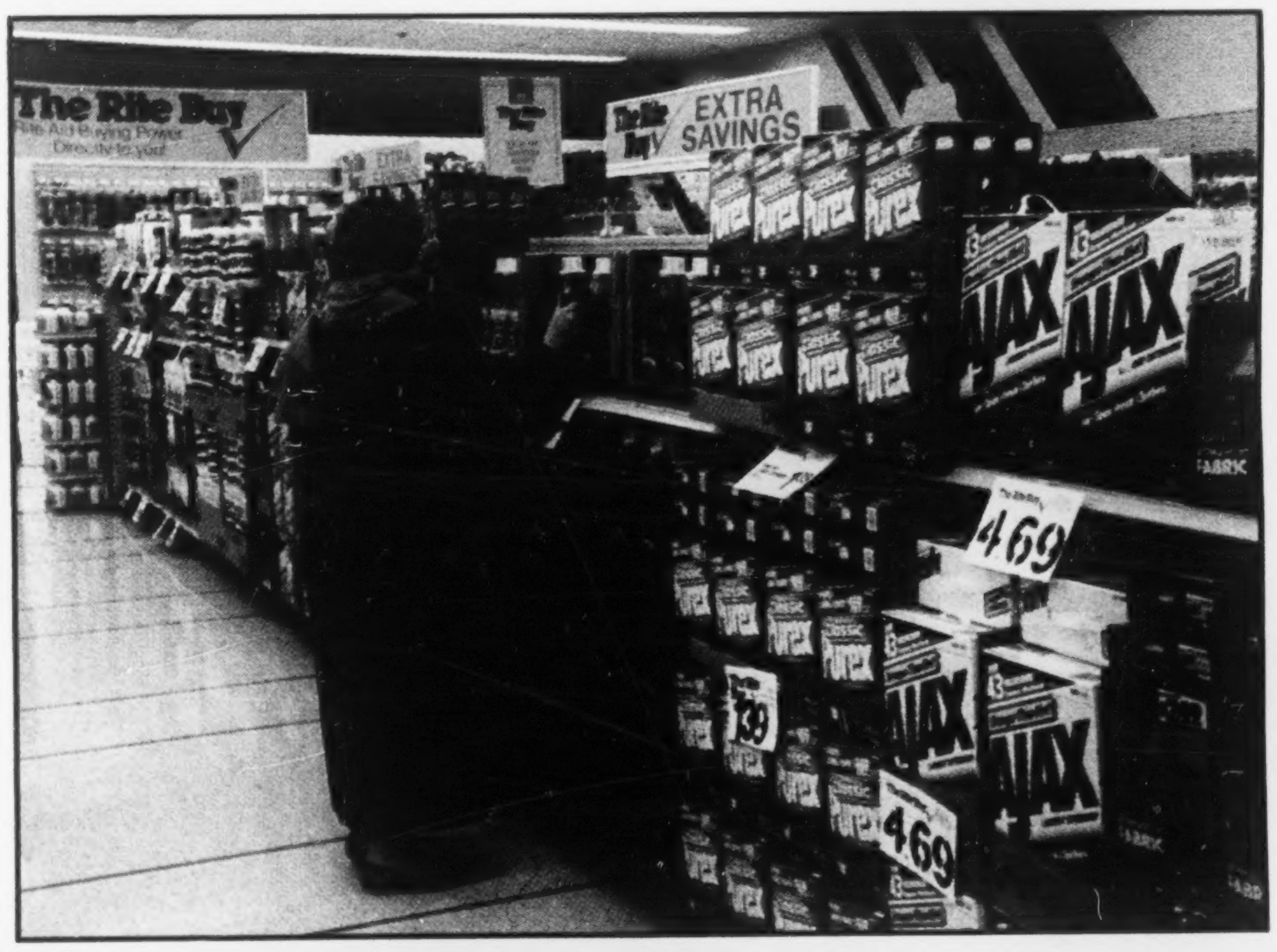
For some drug retailers, redesign attention is focused on core categories like cosmetics and toiletries, cards, film and photoprocessing. To staunch the flow of general merchandise share into the hands of mass merchandisers, some chains are reviving selected GM departments with larger assortments or eye-catching signage. Here's a sampling of some drug chain redesigns of late:

- K&B's new prototype launched in early 1992 in Baton Rouge, La., gives the chain's pharmacy a new look by eliminating the old raised pharmacy and replacing it with a sleek floor-level counter where pharmacists counsel patients and conveniently suggest OTC product, since that department was moved adjacent to pharmacy in the redesign. An open manager's office raised just behind the new bullpen checkout counter enhances both customer service and security.
- Standard Drug also dropped its raised pharmacy in favor of floor-level pharmacist stations. To change traffic patterns, Standard moved pharmacy from the front to the back in its new prototype. Starting with its Richmond, Va. store, the chain is testing the design in a few sites this year and hopes to move more high-margin impulse items in its expanded seasonal section along with other categories such as greeting cards, which was enlarged and moved to front of store. A new red, grey and black color scheme signals that Standard is up for change.
- Thrift is also going for margin gain with enhanced merchandise offerings in its test site, where departments are redefined with department store-style signing such as "Healthy Options," "Gifts & Greetings" and "Bath and Body."
- Rite Aid's new prototype boasts wider aisles with more room for expanded merchandise categories and high-margin in-and-out promotions.

Continued on page 37



Cosmetics is a standout in Walgreens' prototype, where a mid-floor service island and expanded color wall add high impact. Short, diagonal gondolas and freestanding displays add to the boutique setting.



The extra-wide promotional aisle in Rite Aid's prototype makes a value statement with cut case and opportunity merchandising of food, HBA and household product. Price-image signing reinforces the chain's value image.

Pay 'N Save customized a narrow Seattle space to meet its urban market of business workers. The store offers an espresso bar, plus a muted decor unlike Pay 'N Save's usual bright scheme.

K&B eliminated its raised pharmacy and service counter, replacing it with a sleek pharmacy and waiting area. By moving cosmetics to the front and OTC to the back, cosmetics gains traffic and pharmacists make more OTC suggestions.

Top deep discounters

Company (parent)	Headquarters	$ sales (millions)	% change	Stores	% change	No. of Rx depts.
Phar-Mor	Youngstown, OH	2,860	79%	250	8%	250
Drug Emporium*	Worthington, OH	1,500E	43	231	1	231
F&M	Warren, MI	700E	17	107	16	64
Pic 'N Save (Nat'l Merchandise Co.)	Jacksonville, FL	373E	– 9	38	– 7	38
Marc's	Middleburg, OH	325E	5	23	10	
ALP Freddy's	Woonsocket, RI	275	4	39	0	30
Rockbottom	Port Washington, NY	230	5	31	0	14
Drug Palace (Rite Aid)	Shiremanstown, PA	81E	0	40	0	40
SupeRx Deep Discount (Drug World & Warehouse Drugs)	Cincinnati	64E	NA	13	0	NA
Cost Cutters (Community Distributors)	Somerville, NJ	47	10	10	25	3
Joel & Jerry's	Largo, FL	35E	NA	9	50	9
Great American (Genovese)	Melville, NY	30E	NA	4	100	4
Drug Castle (Brown)	Springfield, OH	24E	NA	3	0	3
Price Less	Sacramento, CA	20	6	3	0	3
Ike's (Super D)	Memphis	17E	– 5	4	0	3

* Includes 127 company-owned and 104 franchised stores
Source: *Drug Store News* 1992 chain drug survey.

Retail diversification of major retail chains

Company	Store type	No. of stores 1990	1991
Walgreens	Home health	4	4
Medi-Save	Optical	6	9
Pay 'N Save	Hardware	1	1
Community Distributors	Deep discount	9	10
Genovese	Deep discount Photo supplies	2 1	4 1
Big B	Home health Deep discount	3 18	3 18
Rx Plus	Home health	2	2
Phar-Mor	Liquor Entertainment	5 4	9 4
Snyder's	Deep discount	1	1
Super D	Deep discount Optical	NA NA	4 11
Fay's	Auto parts Stationery	26 26	28 33

Source: *Drug Store News* 1992 chain drug survey.

Mass merchandisers/wholesale clubs with pharmacy

Company	Headquarters	No. of stores	No. of Rx depts.
Wal-Mart	Bentonville, Ark.	1,907	1,400
Kmart	Troy, Mich.	2,403	1,331
Shopko	Green Bay, Wis.	109	103
Fred Meyer	Portland, Ore.	97	93
Costco	Kirkland, Wash.	82	52
Target	Minneapolis	463	37
Pamida	Omaha, Neb.	178	24
Fedco	Santa Fe Springs, Calif.	9	9
Price Club	San Diego, Calif.	89	2

Source: *Drug Store News* survey, Chain Store Guides.

New designs change with the times

Continued from page 35

The 7,800-square-foot store, larger than the chain's other sites, provides a beefy promotional aisle. Pharmacy also got a facelift with lower counters and space for high turn OTC and health products.

- Thrifty Drug Stores rolled out dozens of sites for its still-evolving prototype in 1991. The bright new format features color-coded departments set against a sparkling white backdrop with wider aisles adding to the open look.

The chain also makes a strong seasonal statement with a bold cross aisle just beyond the checkout counters.

- Pay 'N Save added a fifth downtown Seattle location last fall by customizing a long and narrow 20,000-square-foot space in a multi-use building. The design fits its space with a six-row, low-profile grid of gondolas. The chain is targeting its urban market of professionals and seniors with such strategies as an expanded greeting card assortment, a larger convenience food section plus an espresso bar.
- Other chains like PayLess found design solutions when site opportunities arose. In its new Beverly Hills, Calif. store, located in a former Woolworth space, PayLess made the most of interior opportunities like a dramatic entrance foyer to create a Deco Moderne-look befitting the ultra-upscale neighborhood.
- Elements of the new Walgreens prototype, which appeared in more than 50 of its new and remodeled stores last year, include an expanded and upgraded cosmetics department with a mid-floor service island. Photo takes a front position under prominent signing while greeting cards are expanded. The long front service counter has been replaced by a short, open counter.

Leading supermarket companies with pharmacies

Company	Total stores	No. with Rx depts.	% change
Kroger	2,214	515	4.9%
Safeway	1,115	301	-3.1
Albertsons	531	258	0.0
Jewel Osco	146	143	0.0
Pathmark	146	138	0.7
Lucky Stores	428	124	5.1
Giant Food	154	106	2.0
H.E. Butt	175	100	8.7
Vons	321	93	-3.1
ShopRite	110	89	0.0
Smith's Management	98	79	-15.9
A & P Supermarkets	1,259	72	9.1
AppleTree (Safeway Stores)	94	66	3.1
King Soopers	66	64	0.0
Meijer	63	63	12.5
Raley's	64	62	1.7
Giant Eagle	128	58	0.0
Grand Union	314	52	1.9
Kash 'n Karry	113	50	2.0
Homeland	109	47	-2.1

Company	No. Total stores	No. with Rx depts.	% change
National Supermarkets/ Kare Pharmacy	57	47	-2.1
Randall's	45	43	0.0
Stop & Shop	117	42	7.5
Farm Fresh	84	38	0.0
Schnuck's	60	37	2.7
Tom Thumb/Page	180	36	0.0
Wegman's	44	35	8.6
Dillon's	63	34	-5.6
Furr's	81	34	0.0
Consumers Markets	35	30	0.0
Dominick's Finer Foods	99	29	0.0
Minyard	75	29	0.0
Buttrey Food-Drug	42	27	0.0
Bruno's	250	20	0.0
Smitty's Super Valu	24	20	0.0
Hannaford Bros.	88	18	-30.8
Erickson Food & Valu Drug	16	15	6.3
Foodway	94	15	25.0
Dahl's Food Markets	13	13	0.0
Carr's Quality Centers	13	13	7.4

Source: Towne-Oller, Chain Store Guides

Chain automation aids in inventory, price accuracy

Drug chains started to see bigger paybacks this past year on investments in systems, particularly front-of-store POS systems, and many are embarking on far-reaching automation projects for the '90s.

Small chains and multi-regionals are delving deeper into computer systems—although strict return on investment results aren't always measurable. Computer systems do more than automate; they can change business methods that make "before and after" comparisons difficult.

The proof is in the pudding

Evidence of hard benefits is easy to find, however. Walgreens predicted it will save billions of dollars in inventory costs while boosting turns through a system that integrates all buying, distribution and selling, and enables the chain to "think national and act local," in the words of president Dan Jorndt. The company's completion of its 1,646-store POS rollout was a giant step in that direction.

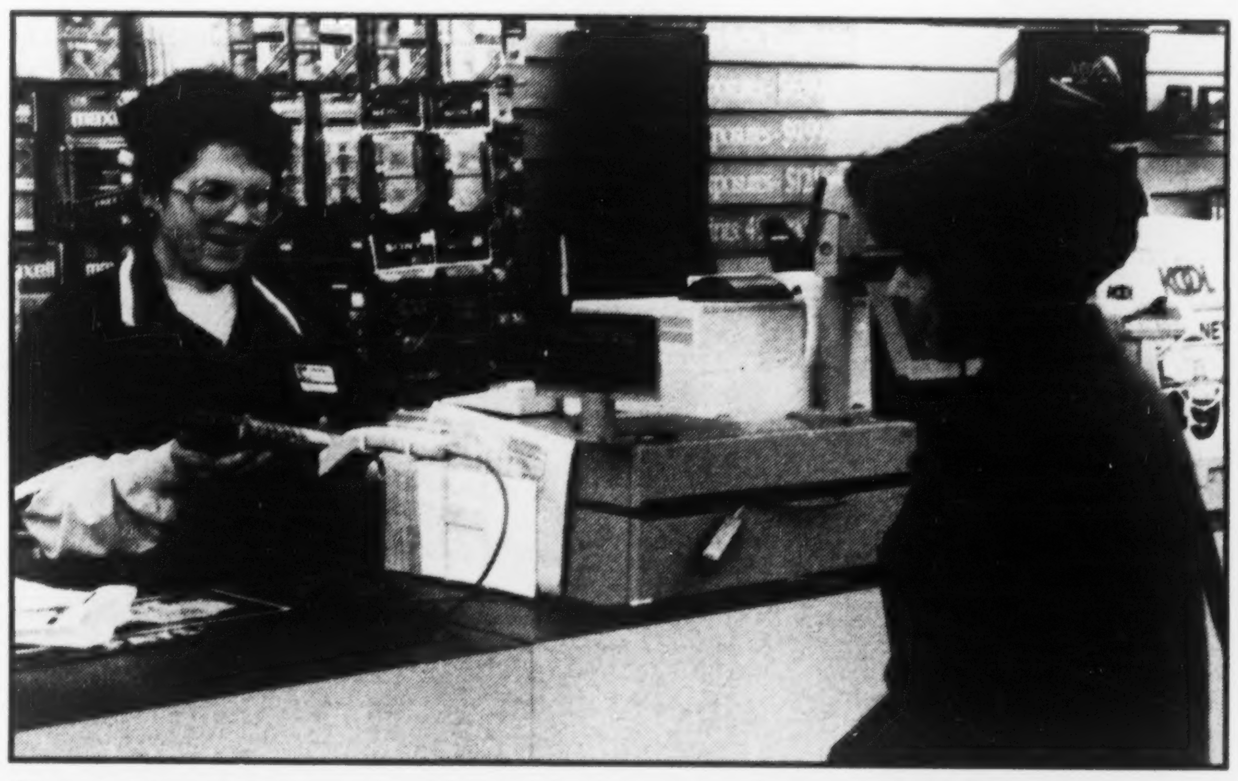
As more chains completed rollouts of scanning systems, more launched some new systems designed to make the most of POS sales data and assure accuracy of prices. MIS experts are quickly putting sales data into buyers' hands.

Senior merchandise managers and buyers are getting better information and, in most cases, better sales, profits and cost controls because of these efforts, a 1991 *Drug Store News* survey found.

With most of its stores capturing POS sales data by the end of 1990, Revco soon began to order and distribute seasonal merchandise based on actual store volume. For non-seasonals, a pilot program for automatic replenishment was launched in a handful of stores, said John Szabo, vp of MIS.

Revco's sellthrough percentage in the Halloween and Christmas seasons was "significantly better" than it had been the year before, when warehouse withdrawal data had dictated store shipments. Post-season markdowns were reduced, Szabo said.

Continued on page 39



Perry Drug Stores is nearing the end of a test of POS scanners for a planned rollout.

Drug chains with scanning
(Ranked by number of stores equipped)

Company	No of. stores	No. with scanning	% with scanning
Walgreens	1,646	1,646	100%
Revco	1,150	1,150	100
Thrifty	620	620	100
Thrift	541	508	94
PayLess	401	401	100
CVS	1,258	300	24
Fay's	252	172	68
Big B	301	140	47
Arbor	121	121	100
F&M	107	107	100
Pay 'N Save	123	106	86
Phar-Mor	250	100	40
Longs	266	44	17
Kinney	36	36	100
Community Distributors	34	34	100
Discount Drug Mart	32	32	100
Genovese	98	21	21
Snyder's	62	19	31
ALP Freddy's	38	14	37
I Got It At Gary's	4	4	100

Source: *Drug Store News* 1992 chain drug survey.

Set Sail This Summer.
MICHELOB
FREE SUMMER DAYS SWEEPSTAKES
SUMMER DAYS ARE BETTER THAN OTHERS
MICHELOB DARK
MICHELOB DARK

Computers aid store accuracy

Continued from page 38

The positive trend was further born out in the 1992 Valentine season when the chain sold more units in season and less on clearance than in the prior year; the total number of units sold was about the same.

POS introductions

Thrifty Drug completed its POS rollout last year, and is using the new sales data—moved to headquarters via a store satellite network—in customizing store merchandise to neighborhoods.

Although volume in individual stores of a small chain might match or even exceed that of a big chain, some smaller operators have found the investment costs for back office and systems tough to justify. Duane Reade, whose stores' geographic proximity abets efficiency, said it cannot cost-justify today's computer prices.

"It's a tough environment to make a decision," said Rick McCormick, special projects manager at Standard Drug, which has been testing POS in three stores for two years. Standard overcame a problem with inaccurate UPC codes through a policy of scanning and policing all items received at the warehouse. Meanwhile, McCormick pinned down three areas where the scanning will yield tangible results: control of price changes, ring-up accuracy and item-price elimination.

Inventory controls

A pressing need for better inventory control in its 22,000-square-foot stores and warehouse convinced Discount Drug Mart of Ohio to invest. The chain rolled out IBM 4684 terminals in all stores last year. The new sales data is being downloaded into a space management system bought in January which will analyze profits of each merchandise section, said T.J. Ferut, MIS director.

As scanning gives buyers a truer picture of "demand," buying system software automates the figuring of order quantities. Eckerd and PayLess joined the list of chains using software by vendors such as E3 Associates and Sterling Software. The systems, by saving buyers' time, free them to focus on marketing and sales building while improving replenishment and on-deal buying and lowering inventory investment.

Chains continue to find opportunities in pharmacy automation, notably with the use of fault-tolerant transaction processing computers for verifying and resolving third party claims. CVS "virtually eliminated" claims rejections, cut phone costs and improved claims turnaround with such a host-based system. That chain's programmers are writing a new pharmacy system, centralizing functions including customer profiles, drug utilization review and pricing and inventory.

As drug chains replace paper trails with high-speed electronic highways in virtually all areas of business, they have moved to test electronic data interchange with vendors. They can follow the lead of the drug wholesale industry which has proven the savings possible in automating the give-and-take of buying and delivery.

Confident of reliable POS data, drug chain MIS departments can embark on EDI and potentially share with vendor partners up-to-the-minute inventory data and new procedures for buying product.

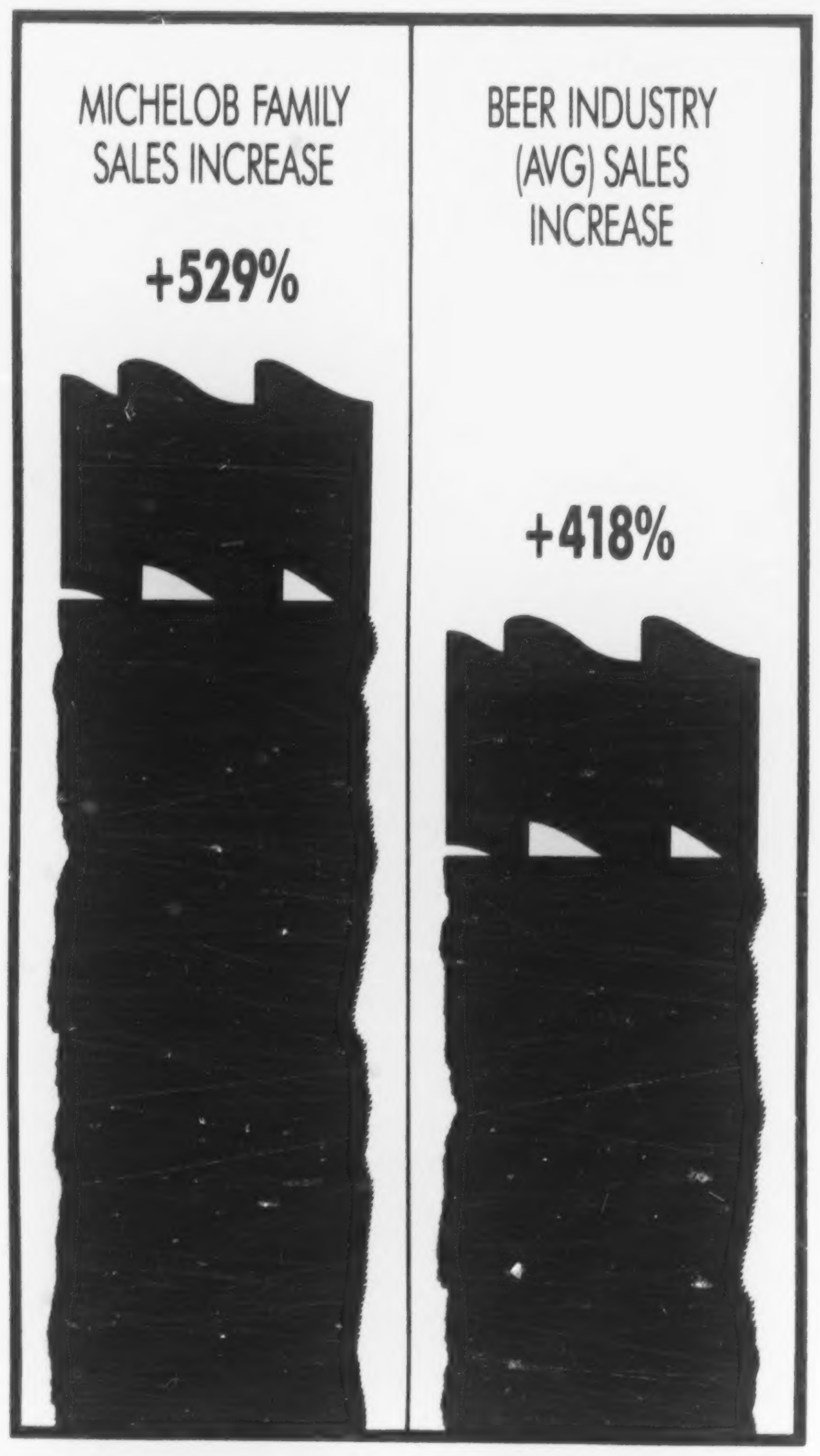
Top warehousing drug chains

(Ranked by 1992 distribution center square feet)

Company	1991 No. of DCs	1991 Total sq. ft.	1992 No. of DCs	1992 Total sq. ft.
CVS	5	2,745,000	5	3,254,000
Walgreens	8	2,745,000	8	2,745,000
Phar-Mor	3	1,185,000	3	1,500,000
Rite Aid	5	1,389,000	5	1,389,000
Wellby	1	250,000	3	1,312,000
Thrifty	5	1,840,000	3	1,200,000
PayLess	2	1,000,000	2	1,025,000
Thrift	3	691,000	3	828,507
Pay 'N Save	2	758,000	2	758,000
Fay's	2	760,000	2	730,000
K&B	2	453,000	2	453,000
Big B	1	440,000	1	440,000
Perry	1	400,000	1	400,000
Snyder's	1	365,000	1	365,000
Genovese	1	265,000	1	265,000
Reliable Drug	1	250,000	1	240,000
Arbor	1	233,600	1	233,600
Rockbottom	1	250,000	1	200,000
F&M	3	150,000	4	200,000
Discount Drug Mart	1	181,000	1	160,000
Duane Reade	1	160,000	1	150,000
Kerr	1	125,000	1	150,000
Kinney	1	105,000	1	135,000
Medicine Shoppe	2	120,000	2	120,000
L.F. Widmann	3	40,000	3	95,000
Community Dist.	1	75,000	1	75,000
ALP Freddy's	1	70,000	1	70,000
A.D. Clark	1	60,000	1	60,000
Bartell	1	80,000	1	40,000

Source: *Drug Store News* 1992 annual chain drug survey.

And Your Sales Will Be Set.



Watch your beer sales soar with the Michelob family's "Summer Days Are Better Than Others" promotion. After all, no beer takes off like the Michelob family when on display.

Add in a chance for your customers to win vacations and other great prizes in the "Free Summer Days" promotion and this could be a record-setting summer for sales. The display also features a three-dimensional wind surfer to attract unplanned purchases.

And with Michelob's increased advertising support, the sky's the limit for beer sales. So contact your Anheuser-Busch representative for all the details.

Michelob family sales jump 529% when featured on sale and on display, compared to a category average of 418%. The highest increase in the industry. (Source: A.C. Nielsen Scan· Pro Monitor, YTD 12/31/91)

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MICHELOB®
Some Days Are Better Than Others.™

Walgreens: Rx, automation, growth for tough times

DEERFIELD, Ill.—"It's tough out there and it's going to get tougher."

That message, delivered to hundreds of shareholders by Walgreen Co. president Dan Jorndt at the company's annual meeting in January, is one that no retail executive or store manager would argue with. Indeed, many retailers are likely to be out of business, working for new owners or scrambling to define and preserve their market niche before the end of the decade.

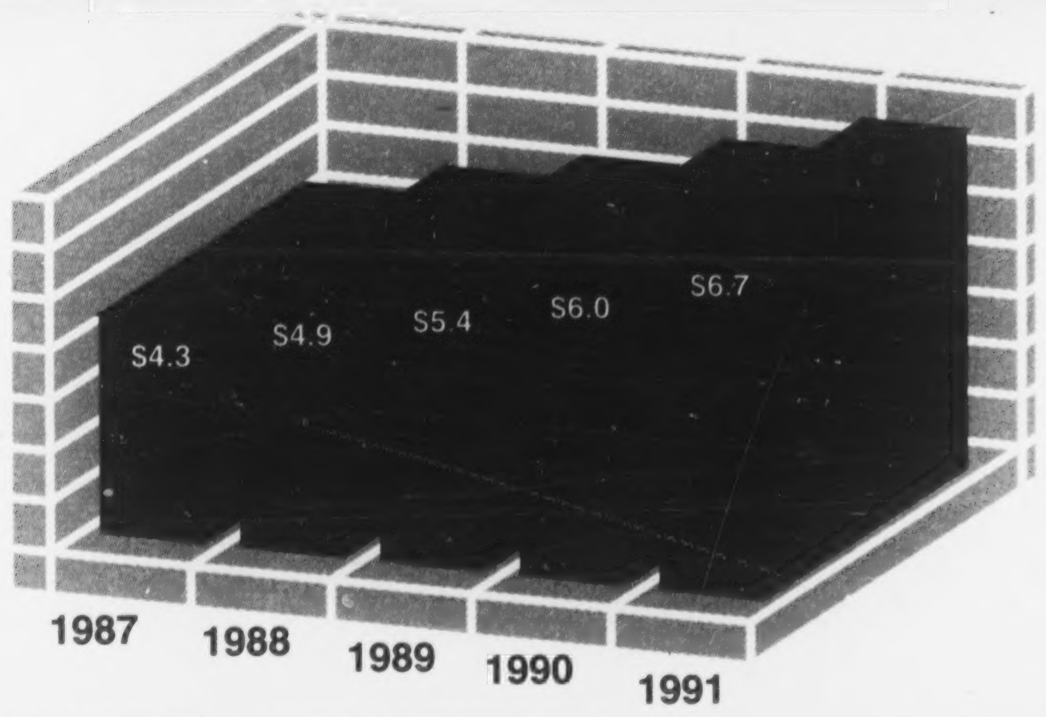
"Bottom line, the 'new reality' for Walgreens is that drug store retailing has entered a much more hostile decade than we faced 10 years ago," added company chairman and ceo Charles R. Walgreen III. "Our reaction to this rougher environment must be to move faster and do better by continually rethinking, adjusting and improving our ways of doing business."

That response indicates why Walgreens isn't likely to be among the retail losers of the 1990s.

Despite the sober assessment of its leaders, the chain continues to thrive and—equally important—build for the future. It also retains a firm hold on the chain drug industry's leading position in terms of sales, profits, overall performance and the sophistication of its operating, purchasing and distribution systems.

Despite last year's deep recession, Walgreens racked up another string of consistent, record-setting results. Sales for fiscal 1991 advanced 11.3 percent to $6.7 billion, pushing net earnings up 11.7 percent to $195 million. Pharmacy sales shot up 19.8 percent to 35 percent of the total business, and the chain now fills about one of every 14 scripts sold at retail in the U.S.

Walgreens sales climb



FY ended Aug 31, 1991 Source: Company reports.

Meanwhile, per-store averages grew to $4.1 million a year, with sales per square foot reaching $425.

The chain sailed through Christmas and the first few months of 1992 with equally impressive results. For the first half of its new fiscal year, it pushed net earnings up 13 percent—14.3 percent in the second quarter—and grew sales by 11.5 percent. December sales rose a convincing 11 percent, with same-store results for the Christmas season up 7.6 percent. That included "the best Christmas for toys at Walgreens in recent history," according to Jorndt.

Walgreens at a glance

Company name: Walgreen Co.
Headquarters: Deerfield, Ill.
Officers: Charles R. Walgreen III, chairman and ceo; L. Daniel Jorndt, president and chief operating officer; Charles Hunter, vice chairman and cfo.
Sales: $6.7 billion (fiscal 1991, ended Aug. 31, 1991).
Store count: 1,692 current, 1,646 as of Aug. 31, 1991.
Average store size: 9,700 square feet (selling space).
Market reach: Coast to coast.
Highlights: Completed chainwide POS; entered mail-order pharmacy; opened 110 stores; launched SIMS in stores; added new distribution center for Northeast.

These results are the harvest of years of costly, intensive spadework in employee training, technology at all levels, store expansion, cost-cutting and other efforts.

"Over the past five years, we've invested more than $750 million. . . for new and remodeled stores. . . for new distribution centers and for the advanced systems we need," Walgreen said in January.

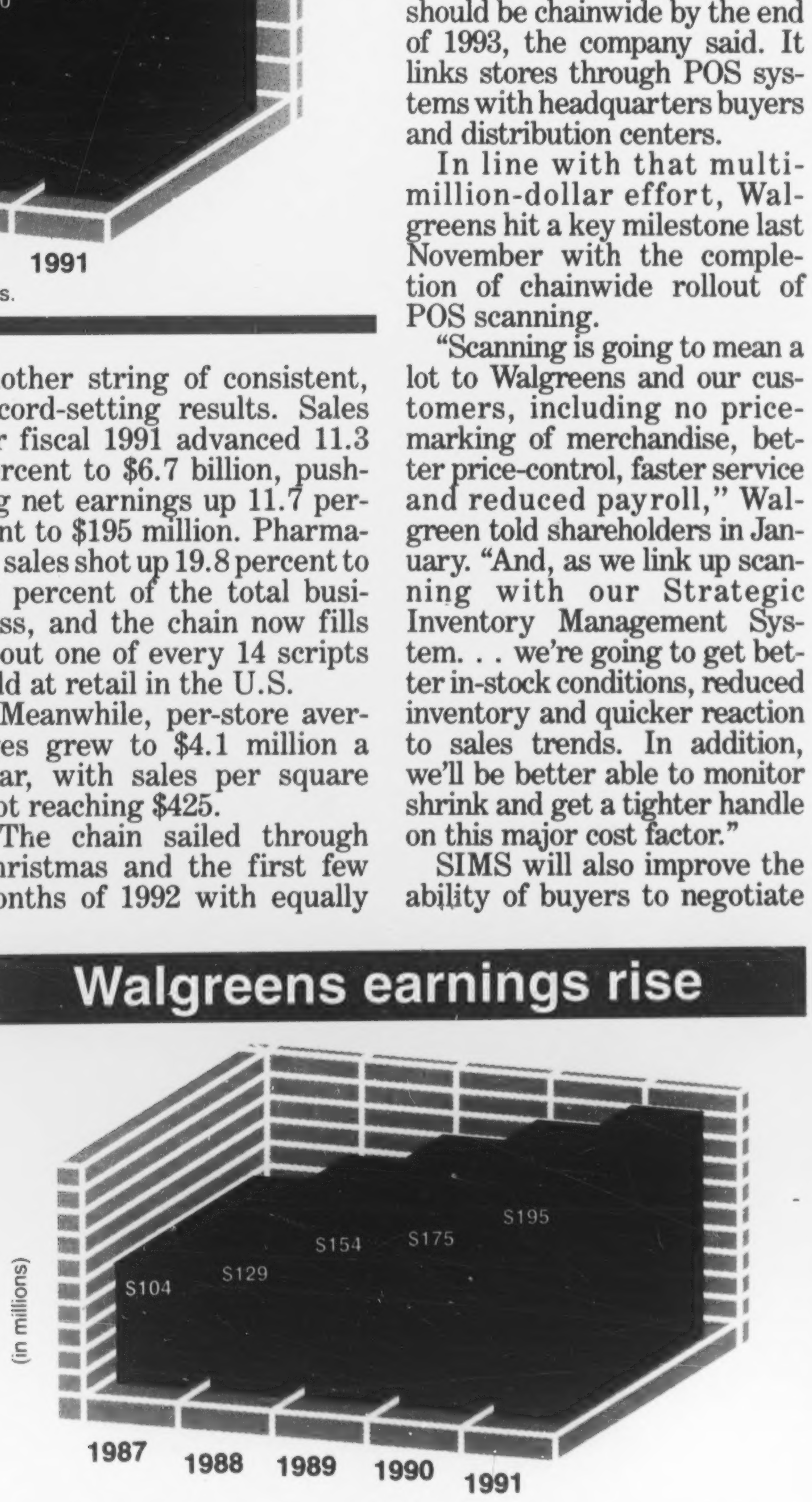
SIMS to go chainwide

Many of those efforts are coming to fruition, including the chain's essential SIMS program. SIMS, which stands for Strategic Inventory Management System, began rolling into stores in January and should be chainwide by the end of 1993, the company said. It links stores through POS systems with headquarters buyers and distribution centers.

In line with that multimillion-dollar effort, Walgreens hit a key milestone last November with the completion of chainwide rollout of POS scanning.

"Scanning is going to mean a lot to Walgreens and our customers, including no price-marking of merchandise, better price-control, faster service and reduced payroll," Walgreen told shareholders in January. "And, as we link up scanning with our Strategic Inventory Management System. . . we're going to get better in-stock conditions, reduced inventory and quicker reaction to sales trends. In addition, we'll be better able to monitor shrink and get a tighter handle on this major cost factor."

Walgreens earnings rise



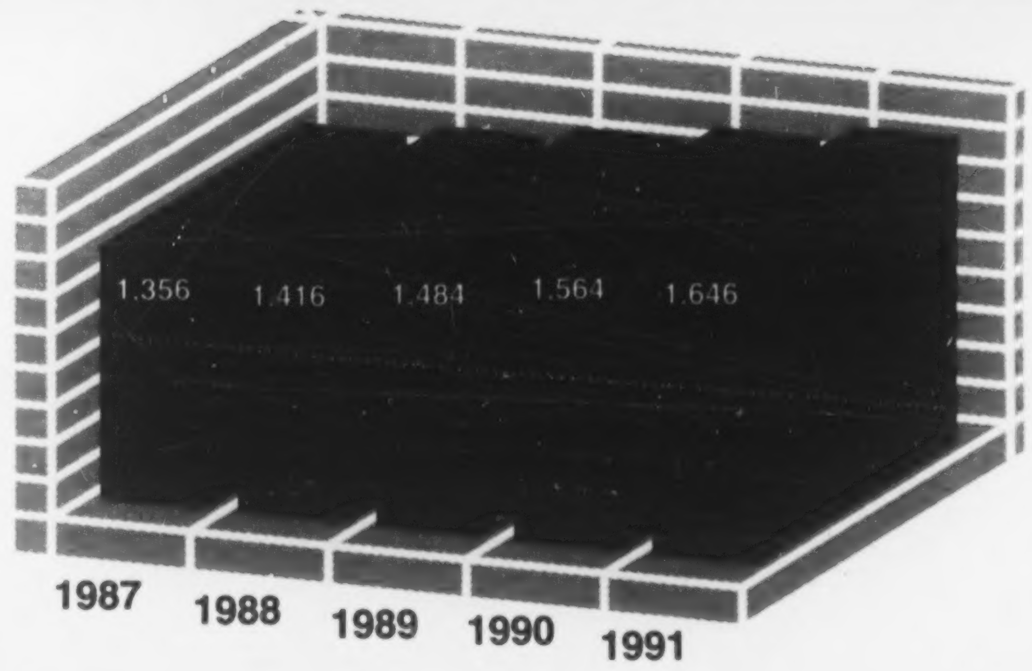
FY ended Aug 31, 1991 Source: Company reports.

SIMS will also improve the ability of buyers to negotiate the best deals and terms, and make for more efficient receiving and put-away methods by Walgreens' eight distribution centers, Jorndt added.

The newest of those eight centers opened last June in Lehigh Valley, Pa. The highly automated center, which cost $43 million, "will save us transportation costs of $2.6 million annually, to say nothing of service improvements to Northeast stores," said Jorndt.

The Lehigh Valley center is also one of the first two Walgreen DCs to feature "family" A-frame picking in category order for more efficient store shelf-stocking.

Walgreens store count advances



FY ended Aug 31, 1991 Source: Company reports.

The chain marked some other important advances over the past year. It made what Walgreen called a "serious entry" into mail-order pharmacy with Walgreens Healthcare Plus, in line with predictions that segment of the industry would grow 25 to 30 percent a year through mid-decade.

The chain is also "leveraging its technological superiority" to expand into nursing home pharmacy.

Meanwhile, Walgreens continues to upgrade its Intercom pharmacy automation and its pharmacy workstations to free up its professionals for more patient counseling. The chain is set to go on-line with a state welfare program, a first for a national drug chain. Also on tap: automatic drug reordering, which should help cut costs as "pharmacy gross margins are declining and will continue to trend this way," according to Jorndt, as third-party business, heavy competition and new, more costly drugs take a toll on margins.

New stores opened, to open

On the expansion front, Walgreens continues to buck the recession. The chain opened or acquired 106 stores in fiscal 1991 and is already nearly halfway along in its planned 110-store expansion this year. The chain now operates 1,692 drug stores in 29 states and Puerto Rico (1,646 at FY-end 8/31/91), and is pushing hard to fill in key markets throughout the U.S. Key target areas include Florida and California, both of which will get dozens of new stores over the next few years, and new markets like Indianapolis, which the chain will enter this fall.

More than half of the chain's new units are freestanding. They'll feature elements of the company's new prototype, which includes a vastly upgraded cosmetics/fragrance department, an open front end, a relocated photo counter and softer colors.

"Someone asked me recently where I'd like to see Walgreens by the year 2000," said Walgreen. "I told him I'd like to see us in all 50 states by then. And if you ask me about further out, I'd say there's potential to grow to more than 4,000 stores in the United States."

New geographic focus boosts American Drug sales

OAK BROOK Ill. — American Drug Stores carried more than its share of the freight for its parent company, Salt Lake City-based American Stores, in the fiscal year ended Feb. 1.

The 711-store drug chain contributed $179.2 million in operating profits to the food and drug store giant, and pushed same-store sales up a healthy 7.72 percent. By contrast, American's grocery and combo stores saw same-store results drop 1.57 percent.

Both the drug and supermarket components of American's retail empire, however, took some major steps to shore up sales and profits in the past year. Most important was a big shift in geographic focus for both American Drug and its parent. That shift involved some big store sales and a major acquisition.

The biggest was the sale last month of 74 Jewel-Osco combination stores and a general merchandise warehouse to Albertsons. The former Skaggs Alpha Beta stores were concentrated in Dallas/Ft. Worth, with units also located in other Texas markets, Oklahoma, Arkansas. Six new-prototype Jewel-Osco stores in the Tampa Bay area of Florida were also included in the sale, marking the end of a short-lived attempt to crack that market.

Just a year prior to their sale, the stores had been merged with American's Jewel Osco division, and a subsequent logo change last fall had marked the end of both the Skaggs and Alpha Beta logos from Southwestern retailing.

But the sale yielded big and immediate benefits for the debt-laden parent company. It netted American $325 million for the paydown of long-term debt, and rid the company of an unprofitable group of stores which lost $18 million on a pre-LIFO basis in fiscal 1991, on sales of $1.45 billion. American Stores chairman and co-ceo Jonathan Scott called the sale "consistent with the company's strategy started several years ago of divesting stores that are underperforming, while concentrating on markets with good performance and strong market shares."

Last June, American Stores also locked up the sale of its Alpha Beta supermarket division in Southern California to Food 4 Less, settling an agreement with the state attorney general by which it kept its more profitable Lucky Stores division in the same market. The Lucky chain now consists of 428 supermarkets, including 124 with pharmacies.

American had earlier sold off its Buttrey Food and Drug division in the Northwest, and last year explored and then backed off the idea of selling its profitable Acme Markets subsidiary.

Geographic shift

The American Drug subsidiary has also had a busy year shifting its geographic focus. The company sold 51 Osco drug stores in Salt Lake City, Denver and other Western markets to PayLess Drug Stores last June, marking the final exit of American Stores from home-market retail operations. The sale yielded approximately $60 million, and included 30 stores in Colorado, 20 in Utah and one unit in Wyoming.

Osco also pulled out of Tennessee with the sale of a handful of stores in the state.

Early this year, however, the drug retailer reversed course, scooping up 85 drug and HBA stores in Southern California from CVS. The acquisition will shore up American Drug's already strong presence on the West Coast, where its 181-store Sav-on Drug division has been gaining market share for several years against rival Thrifty.

Meanwhile, American Drug has developed and begun testing a completely new Osco store prototype which puts a brighter spotlight on pharmacy and core drug store products. The 14,000-square-foot format—far smaller than Osco's 20,000-square-foot traditional footprint—scales back on promotional and general merchandise. The so-called "New Vision" store debuted last fall in Kansas City, then rolled into Phoenix earlier this year.

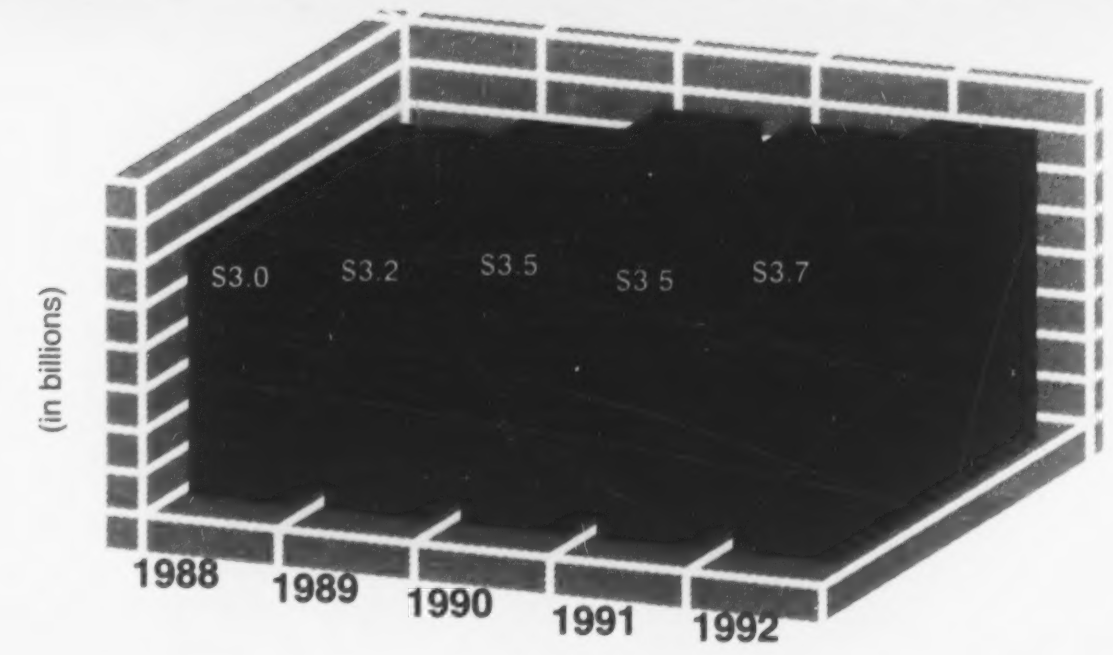
Said Cal Drexel, head of investor relations for American Stores, "We feel the smaller drug store format is the way of the future."

On another important front, Osco and Sav-on have also benefited over the past year from stable management. After revolving-door shifts in the executive ranks over the past four years, the chain's leadership has coalesced under ceo David Maher with a simpler, more centralized management structure. In charge of the Osco division is executive vp and chief operations officer Stephen Mannschreck, while executive vp Richard Davis was named chief operations officer of Sav-on.

American Drug Stores at a glance

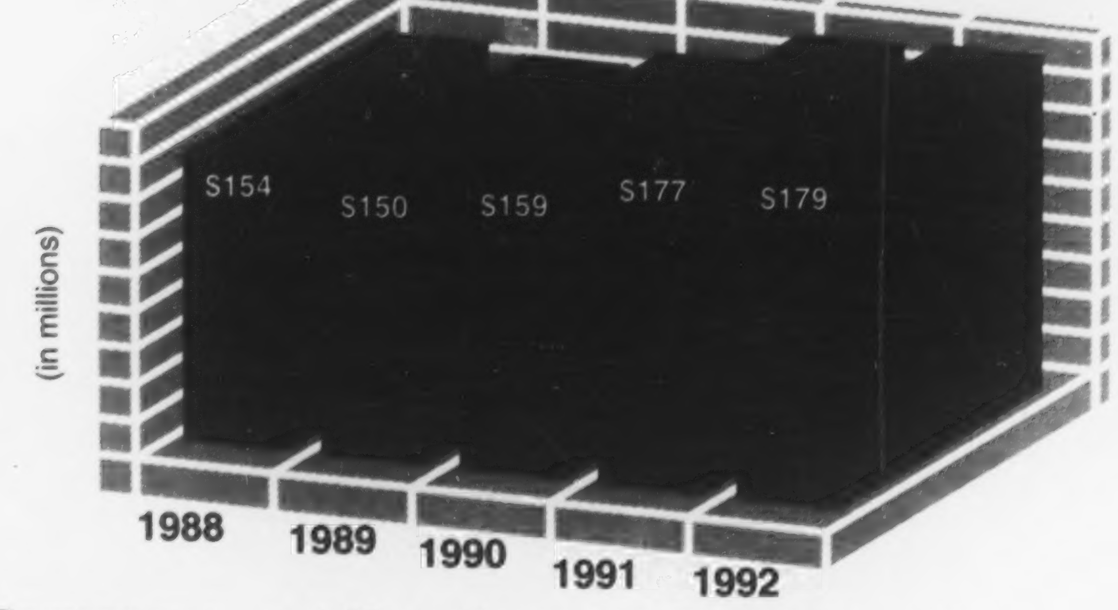
Company name: American Drug Stores
Operating divisions: Osco Drug, Sav-on Drug
Headquarters: Oak Brook, Ill.
Officers: David Maher, president and ceo; Stephen Mannschreck, executive vp/coo, Osco; Richard Davis, executive vp/coo, Sav-on.
Sales: $3.73 billion in fiscal 1991 ended Feb. 1, 1992.
Store size: 20,000-30,000 square feet.
Store count: 711 (including 151 Jewel-Osco combo stores, 294 freestanding Osco stores, 85 former CVS stores under Osco division, and 181 Sav-on stores).
Markets: 27 states nationwide.
Highlights: Purchase of CVS stores on West Coast; takeover and subsequent sale of Jewel-Osco combo stores in Texas, Arkansas, Oklahoma and Florida; strong sales and earnings performance; stabilization of management under ceo Dave Maher.

American Drug sales



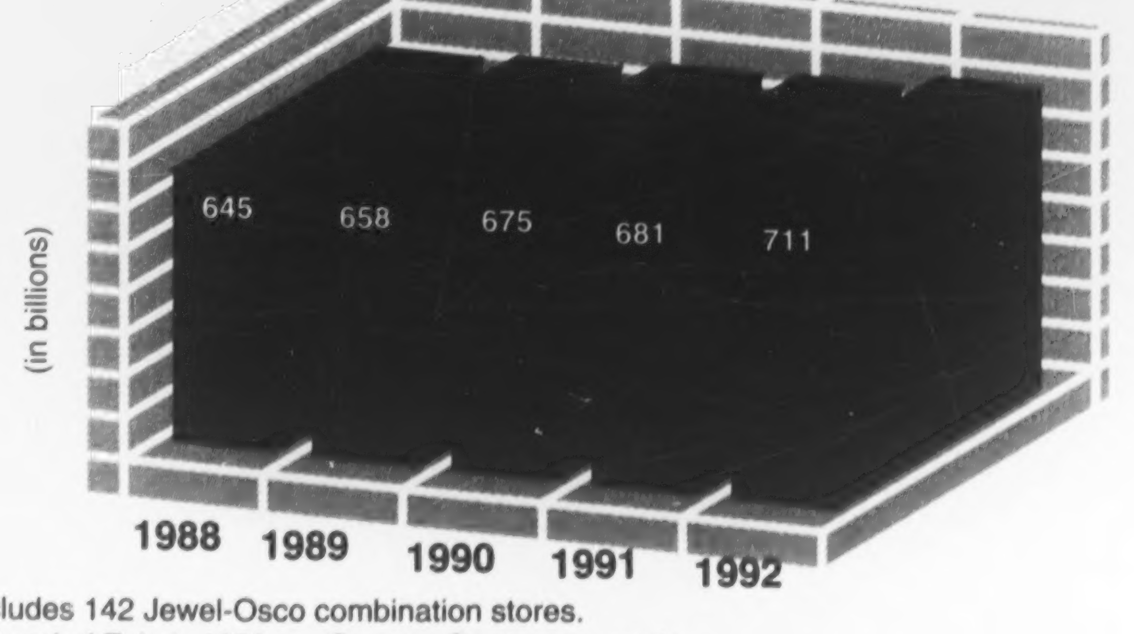
FY ended Feb.1, 1992. Source: Company reports.

American Drug earnings



Figures are pre-tax, pre-LIFO operating earnings. FY ended Feb.1, 1992.
Source: Company reports.

American Drug stores increase



Includes 142 Jewel-Osco combination stores.
FY ended Feb.1, 1992. Source: Company reports.

Future bright as remodeled Eckerd ready to go public

Eckerd's recent announcement to go public following its failed attempt to acquire Revco highlighted a year full of promise—and some disappointment—for the nation's number two drug chain.

The Largo, Fla.-based drug retailer had planned a public stock offering as part of a package offered to Revco creditors. If the deal had gone through, the merger would have added 1,150 Revco stores to Eckerd's own stable of 1,675 stores and returned Eckerd to public ownership. The dominant Southeastern drug retailer would have been catapulted into the nation's top spot, surpassing Walgreens' store count but not annual sales figures. Even though the extension of Eckerd's empire was blocked, the drug chain still had plenty to cheer about in 1991.

Sales showed good growth for the fiscal year ended Feb. 2, 1992, totaling $3.8 billion, up from $3.5 billion the previous year. Increases can be attributed to Eckerd's philosophy of emphasizing convenience and categories such as pharmacy, HBA, photofinishing, convenience foods and greeting cards. Pharmacy and OTC sales accounted for approximately 55 percent of total sales.

Pharmacy strong

Eckerd's 4,000 pharmacists filled roughly 72 million prescriptions last year for a total of $1.6 billion in sales. In the prior year, 70 million prescriptions were filled for sales of $1.4 billion. Pharmacy will undoubtably remain a strong area for the chain as it continues to tighten its grip on lucrative Southern markets, particularly Florida and Texas, states with large elderly populations.

Eckerd's formula for success emphasizes the convenience nature of the drug store and its particular types of products and services. Customers are offered service and personal attention that allows for a justification of the price differential between the chain and competing trade classes.

Also helping the bottom line in fiscal 1992 was the double-digit profitability of stores acquired in 1990 from Revco. Eckerd bought 223 Revco stores and closed all but 98 of the top-performing units.

Remodeling nearly complete

The chainwide remodeling program that began when Eckerd was taken private in 1986 continued in 1991 and is now nearly complete. Sixty-eight stores were remodeled last year with another 50 slated for work in 1992.

Besides an emphasis on pharmacy operations and store renovations, the chain continues to actively expand its profitable Express Photo lab operations. There are now 321 Express Photo labs compared to 258 at the same time last year.

The chain has recorded steady annual sales increases since it was taken private, even though it hasn't significantly increased its store total. Since the 1986 leveraged buyout, there has been a concentration on improving existing stores, acquiring others and streamlining operations. Although some Revco, Hilly's, Dunaways and Shoppers Drug Mart stores were acquired and other new units were opened, other store closings left Eckerd with a net increase of only about 100 stores, from 1,575 in 1986 to 1,675 in 1992. Another 50 are slated to open in 1992.

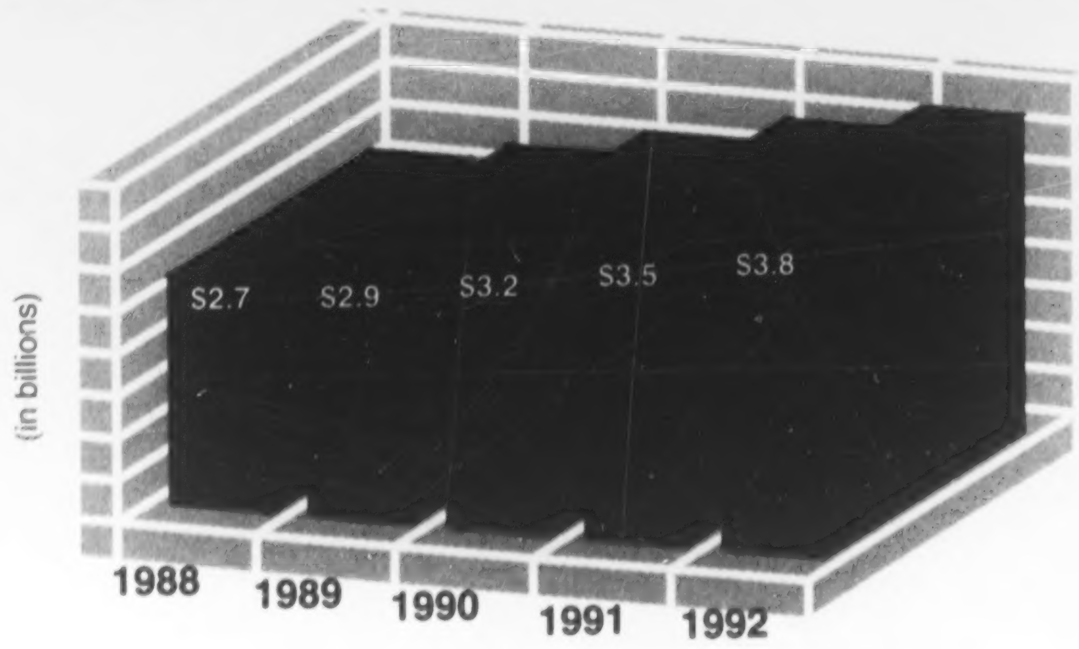
Going public

The long-term outlook for Eckerd is expected to improve now that the company has confirmed it will go public. A stock offering is tentatively planned for June and will generate cash to help pay down more than $1 billion in outstanding debt that remains from the LBO.

Specifics on the size of the offering haven't been released, but analysts expect that a smaller debt burden will allow the chain's credit rating to improve while at the same time cash will be freed up to pursue store acquisitions.

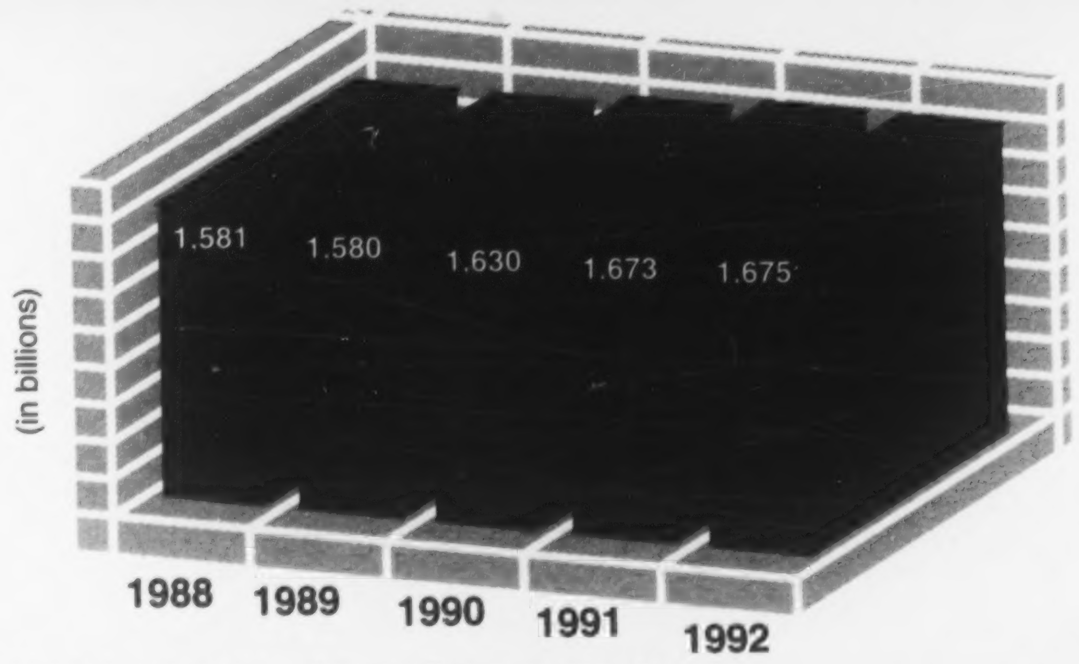
Eckerd operates in 13 Southeastern states. Had the Revco acquisition been approved by the bankrupt chain's creditors, Pennsylvania, Ohio, Virginia and New York would have been added to the chain's territory.

Eckerd sales climb



FY ended Feb. 1, 1992. Source: Company reports.

Eckerd store count



FY ended Feb.1, 1992. Source: Company reports.

Eckerd at a glance

Company name: Jack Eckerd Corp.
Headquarters: Largo, Fla.
Officers: Stewart Turley, chairman and president; Harry Lambert, president, Eckerd Drug.
Sales: $3.8 billion.
Store count: 1,675.
Store size: 8,600-10,000 square feet.
Markets: 13 Southeast, Mid-Atlantic and South Central states.
Highlights: Announced a public stock offering for mid-1992; managed double-digit profitability from Revco stores acquired in 1990; continued rollout of Expross Photo minilabs; beaten in attempt to acquire Revco.

> *Eckerd's formula for success emphasizes the convenience nature of the drug store.*

Eckerd's cash position
(Net cash from operations after interest)

Fiscal period	Cash from operations
38 weeks ended Jan. 31, 1987	$18.5 million
Year ended Jan. 30, 1988	$127.3 million
Year ended Jan. 28, 1989	$132.6 million
Year ended Feb. 2 1990	$102.3 million
Year ended Feb. 2, 1991	$169.5 million
Year ended Feb. 2, 1992	$123.9 million*

*Estimate.
Source: Company reports.

Revitalized Revco nears end of its bankruptcy ordeal

TWINSBURG, Ohio — Like he had so many times over the past three-and-a-half years, Revco chairman and chief executive Boake Sells strode out of U.S. Bankruptcy Judge Harold White's crowded courtroom March 11 at the end of a long day of testimony, surrounded by lawyers, reporters and other Revco officers.

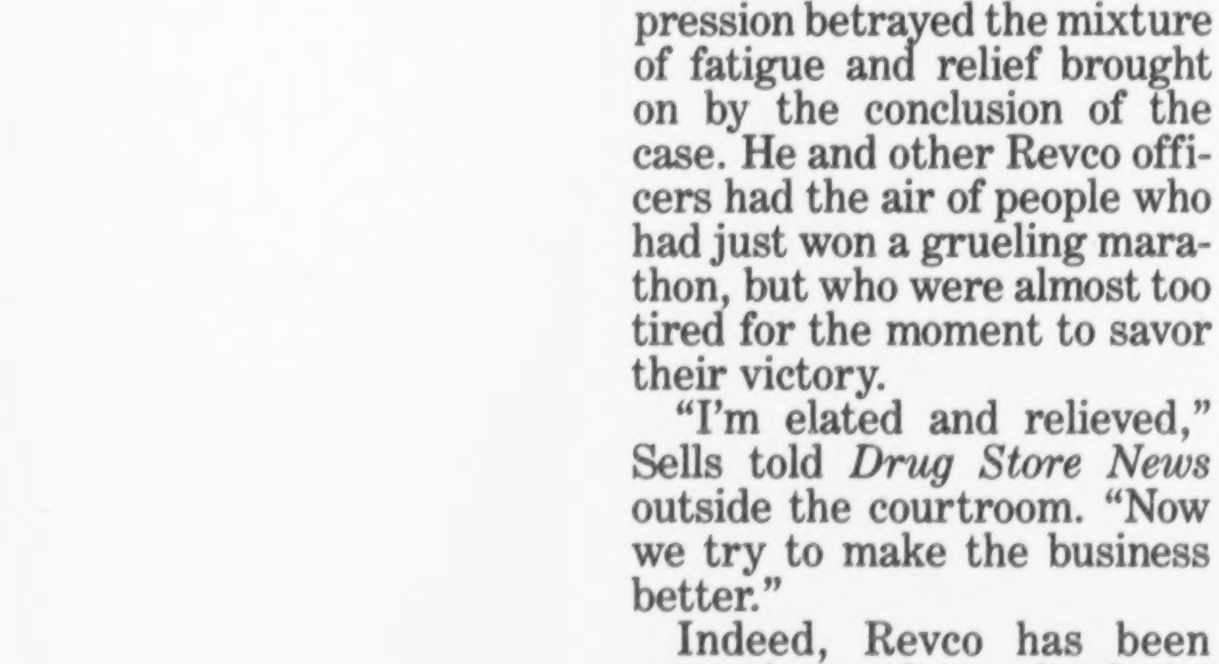
But this time was different. White had just given approval to Revco's revised plan of financial reorganization. That plan had already been overwhelmingly endorsed by the company's thousands of creditors, who had rarely agreed on anything over the past four years, and its OK in bankruptcy court virtually assured Revco's emergence from Chapter 11 as an intact, independent company. Its long march through the financial abyss was nearly over.

As he shook hands with Revco cfo Greg Raven and its chief counsel, Sy Hopkins of Baker & Hofstetler, Sells' expression betrayed the mixture of fatigue and relief brought on by the conclusion of the case. He and other Revco officers had the air of people who had just won a grueling marathon, but who were almost too tired for the moment to savor their victory.

"I'm elated and relieved," Sells told *Drug Store News* outside the courtroom. "Now we try to make the business better."

Indeed, Revco has been operating under a cloud virtually from the day it went private in a December, 1986 leveraged buyout engineered by former managers including Sid Dworkin, investment banker Salomon Brothers and others. Burdened with impossible debt payments and overly optimistic performance projections, the chain soon earned the dubious distinction of being the nation's largest LBO failure when it failed to make a $47 million interest payment in the spring of 1988. That July, it fled into Chapter 11, leaving creditors with $1.45 billion in unpaid bills and obligations.

Revco sales trends



FY ended May 30,1991 Source: Company reports

It goes without saying that bankruptcy has been a strain on the company's time and resources: Revco has spent more than $80 million in legal and accounting fees and seen much of the attention of its top executives tied up in negotiations and court documentation as its creditors and potential acquirers wrangled over the chain's future.

Last year, the struggle for control of Revco intensified as Jack Eckerd Corp., Rite Aid and Revco's creditors themselves vied for ownership of Revco with rival plans of reorganization. Said Sells of that period, "It was thermonuclear war in December."

Revco's ability to function and even prevail under those circumstances will doubtless be grist for many business classes for years to come, but one thing is clear: the company that suffered under the constraints of Chapter 11 was also amazingly adept at taking advantage of the protection it afforded. Indeed, Revco has, in Sells' own words, "reinvented" itself over the past four years while its principals strove to satisfy the court and creditors and remain independent.

For one thing, Revco was able to disavow scores of leases as it sold off more than 700 stores and exited all but nine states in core markets. It has completed the chainwide rollout of advanced automation systems, including point of sale scanning and a new, powerful, interactive pharmacy system called Prescription Access Link, or PAL. Under senior vp-distribution and systems Bill Seltzer, it has upgraded its purchasing and distribution systems and revamped the store ordering process. In all, the company has used the shelter of Chapter 11 to invest more than $25 million in new retail and pharmacy technology.

What's more, Revco has overhauled its field operations, developed a new prototype, attacked shrink and completely revamped its merchandise mix. It has purchased 31 former Peoples Drug stores in Virginia and North Carolina from CVS, shoring up its market strength in the Tidewater area and making good on a promise to focus on its core operating regions. The chain has continued to spend money on a modest store opening schedule, and on major marketwide promotional activities, including its famous Health and Beauty Expos.

Revco at a glance

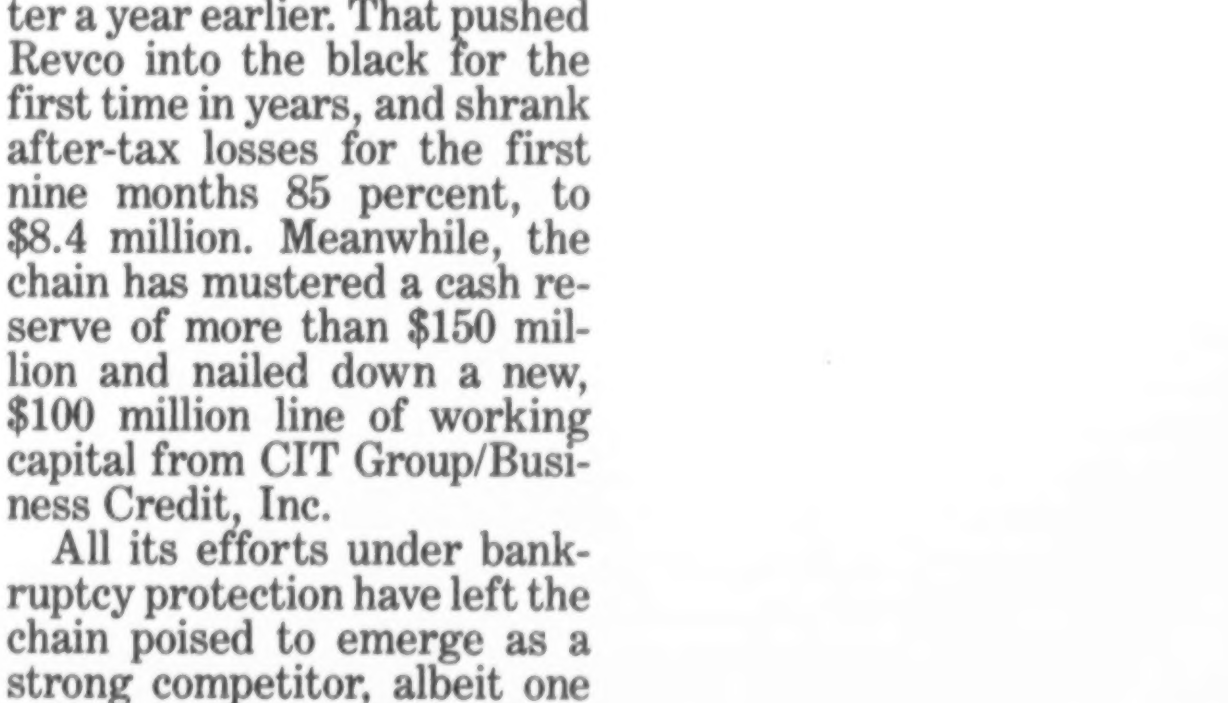
Company name: Revco D.S.
Headquarters: Twinsburg, Ohio.
Officers: Boake A. Sells, chairman and ceo; D. Dwayne Hoven, executive vp marketing and stores; Greg Raven, executive vp-finance/cfo.
Sales: $1.9 billion.
Store count: 1,150.
Store size: 9,000 square feet (8,450 selling).
Markets: Nine contiguous eastern and southeastern states.
Highlights: Company's own plan of financial reorganization approved by bankruptcy court and creditors; store operations break into the black; Dwayne Hoven assumes marketing role with departure of former executive vp Jim Adamson; POS and PAL systems installed chainwide; same-store sales show strong gains.

Revco's efforts to pull customers back into its stores and overhaul its image have also borne fruit. Same-store sales were up a sharp 10 percent in the third quarter completed Feb. 8, 1992, and operating profit rose to $18 million vs. $3.5 million for the same quarter a year earlier. That pushed Revco into the black for the first time in years, and shrank after-tax losses for the first nine months 85 percent, to $8.4 million. Meanwhile, the chain has mustered a cash reserve of more than $150 million and nailed down a new, $100 million line of working capital from CIT Group/Business Credit, Inc.

All its efforts under bankruptcy protection have left the chain poised to emerge as a strong competitor, albeit one still facing interest payments on roughly $430 million in debt.

"We have changed everything," Sells told a group of financial analysts late last year. "The only thing left is 60 percent of the real estate and the name." We sold 40 percent of the stores and took 40 percent out of the overhead. We changed all major accounting systems and remodeled more than 550 stores."

Revco downsizes



FY ended May 30,1991 Source: Company reports

CVS builds greater presence as it vacates California

WOONSOCKET, R.I.— CVS spent 1991 strengthening its East Coast presence. The chain acquired more stores in existing markets and worked to integrate its Peoples stores into the CVS network. It also exited California after determining that its 85-store cluster didn't have enough market share.

CVS is concentrating on the markets it knows best. The 1,258-store chain posted 1991 sales of $3.40 billion, a 36 percent increase over 1990's sales.

Bringing Peoples and CVS together administratively was a major focus of 1991. Peoples' headquarters became a regional office and all major support functions moved to CVS headquarters.

> *'It was a challenge to truly integrate Peoples. We became 50 percent larger overnight.'*
>
> **Rosenthal**

Of the approximately 350 stores CVS continued to operate after closing some and selling some properties to Revco, Kerr and Thrift, 86 stores had been remodeled to CVS formats by the end of 1991. It plans to remodel an additional 100 Peoples stores by the end of fiscal 1992.

CVS's banner is more prominent in New England and mid-Atlantic markets as the chain renames and integrates acquired stores from Peoples, Thayer and Rix Dunnington.

Under the remodels, pharmacies were reformatted with low counters, 72-inch-high fixtures were replaced with 60-inch gondolas, sloped shelving in OTC categories was introduced to the stores and cosmetics departments were overhauled and furnished with mirrored walls.

The CVS mark was also put on the checkout counter. Long, low racks of impulse candy items are now found merchandised at the scattered checkout counters. Seasonal and general merchandise selections were pared down to a minimum.

Remodeling was one thing, but integration proved a tougher task. "It was a challenge to truly integrate Peoples. We became 50 percent larger overnight," said Harvey Rosenthal, president and ceo.

Peoples' distribution center, which had been known as a problem facility, is finally being converted to the CVS style of operating and is running more efficiently, according to Rosenthal.

The chain also focused on integrating the 23-store Rix Dunnington chain it purchased in 1990. By the end of 1991, CVS had remodeled every Rix store.

At the beginning of 1992, CVS strengthened its profile in New England with the purchase of the 29-store Thayer Pharmacies chain. The Thayer stores, located in greater Boston and southeastern Massachusetts, filled gaps in a trading area where the chain already has its largest concentration of stores.

While CVS strengthened its presence in the East, it departed the West Coast market early this year with the sale of 85 drug and HBA stores to American Stores. The divestiture marked the end of a decade-long effort to build market share on the West Coast.

When the agreement to sell was announced, Rosenthal told *Drug Store News:* "CVS has been in Southern California for quite a long time, but without acquisitions it was difficult to build a big enough market share to be competitive."

Although he expressed mixed feelings about leaving a market where "people worked very hard for a long time," Rosenthal said the divestiture would enable the chain to focus its resources in the East.

He said that CVS plans 46 store openings in 1992; all of those will be in the chain's current operating area, which spans the East Coast from Maine to Virginia and crosses to Michigan.

CVS, well regarded for its operations, focused on technological advances as well in 1991. POS scanning had been installed in 300 stores at the end of the 1991 fiscal year, a 50-percent increase over the number of stores equipped with the systems one year earlier. Rosenthal said he expected that by the end of 1992, the chain would be well into a rollout of POS scanning chainwide.

By the end of this year, CVS will also install satellite dishes in each of its locations. This year, it's also planning to update its pharmacy computers.

Not the least of CVS' challenges in 1991 was keeping same store sales growing despite a sluggish New England economy that has been moving down the coast. About 90 percent of CVS stores operate in a 600-mile stretch of geography that's been hardest hit by the economy.

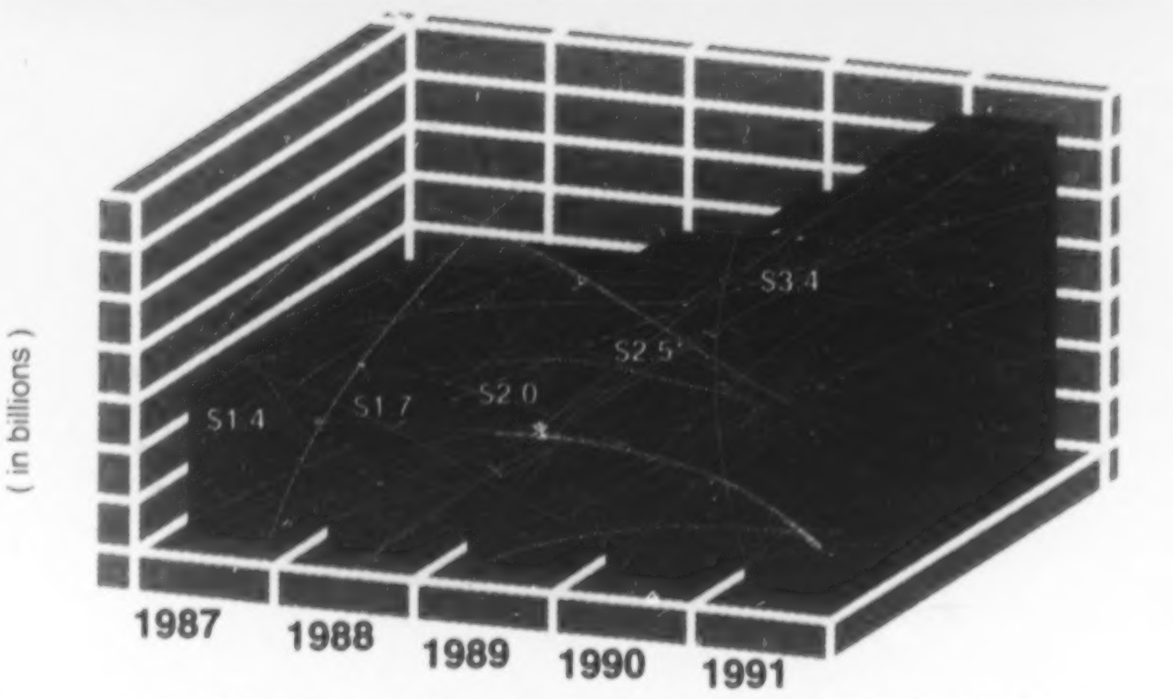
Said Rosenthal: "This recession has had an especially large impact on the Northeast. It's been devastating to consumers psychologically as well as economically. It reinforces the fact that our industry may be recession resistant, but not recession proof. For CVS, it means working even harder to maintain our market share."

> *Bringing Peoples and CVS together administratively was a major focus of 1991. Peoples' headquarters became a regional office and all major support functions moved to CVS headquarters.*

CVS at a glance

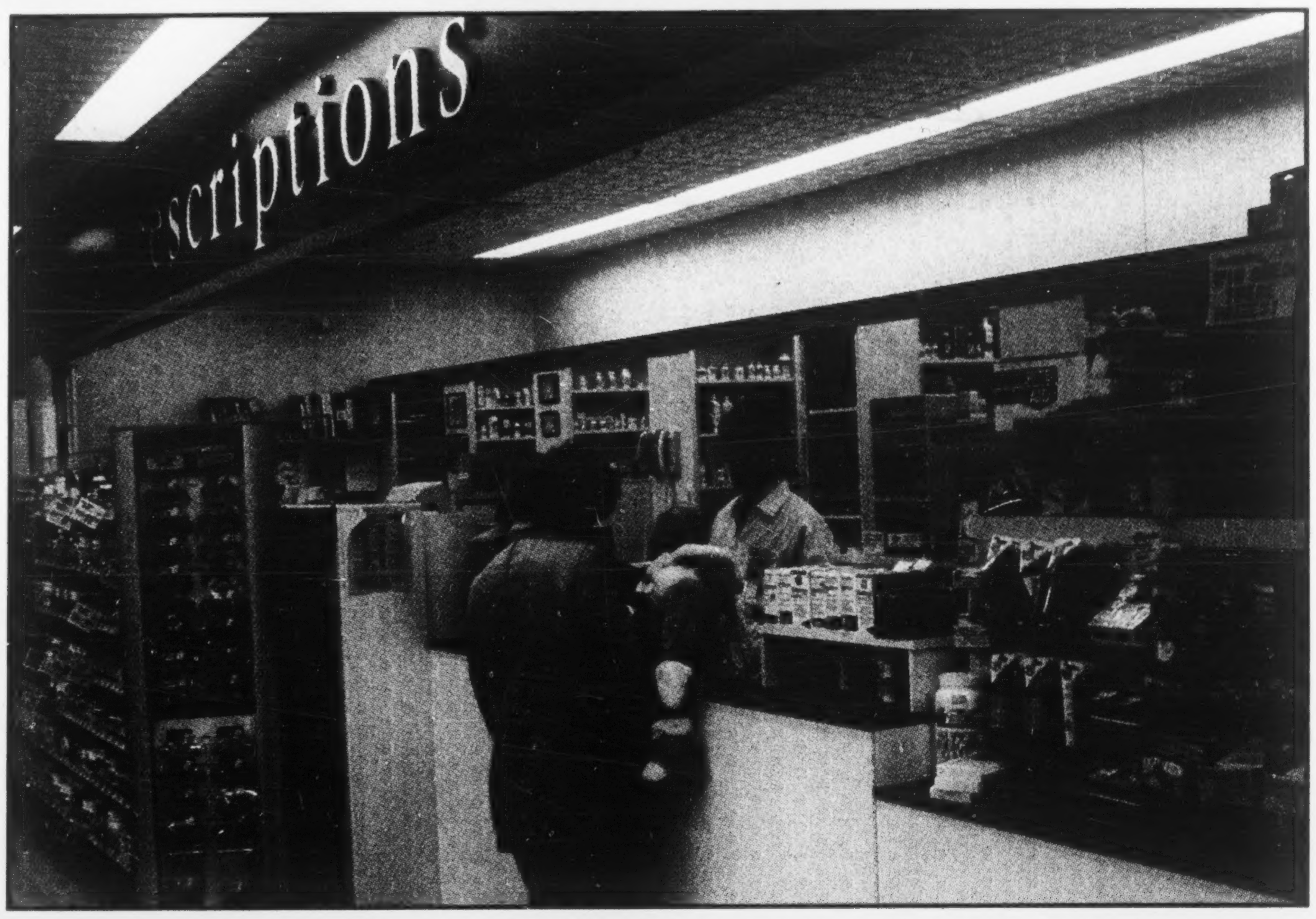
Company name: Consumer Value Stores.
Headquarters: Woonsocket, R.I.
Parent: Melville Corp.
Officers: Stanley Goldstein, chairman ceo and president, Melville Corp.; Harvey Rosenthal, president and ceo, CVS.
Sales: $3.40 billion.
Store count: 1,258.
Store size: 8,000 square feet (6,500 square feet selling).
Markets: Northeast and Mid-Atlantic from Maine to Virginia; Ohio and Michigan.
Highlights: Acquired 29-store Thayer Pharmacies chain in Massachusetts; departed West Coast market with sale of 85 drug and HBA stores to American Stores; continued integration of 1990 aquisitons (Peoples Stores in Mid-Atlantic and Rix Dunnington in Massachusetts and Rhode Island).

CVS sales leap



* Includes sales of Peoples from Sept. 17, 1990 but excludes assets held for sale.
FY ended Dec.31 1991 Source: Company reports.

Rite Aid throttles back growth, but sales-earnings engine roars



The revamped pharmacy department in Rite Aid's prototype includes a consultation area and counter space for often-recommended items.

Rite Aid focused inwardly in 1991, following its acquisition boom of recent years in which it added more than 700 stores to its vast network.

It made no major purchases, although it engaged in a bidding war for several weeks this winter with Eckerd over Revco. Rite Aid withdrew, however, in January, refusing to raise the ante once the stakes reached uneconomical heights. At the time, Rite Aid spokesperson Suzanne Mead told *Drug Store News* that "return to shareholders would be below expectations" at the proposed price level.

Revenues, earnings, sales up

Rite Aid's top management has proven that they are savvy assessors of business. And their own results reflect this. Corporate revenues for the fiscal year ended Feb. 29 advanced 8.7 percent to $3.75 billion from $3.44 billion in the prior year. Earnings rose 15.6 percent to $124 million from $107.3 million a year earlier.

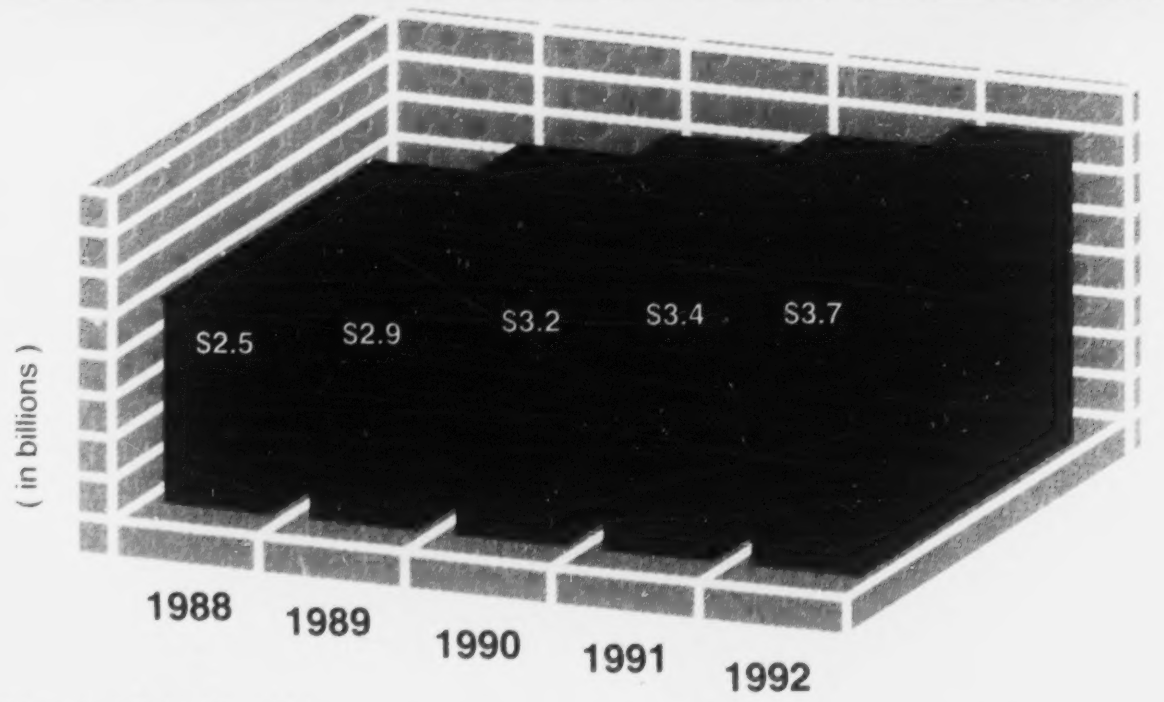
Same-store sales for the drug stores climbed 7.1 percent in the fiscal year, a bit behind last year's 7.3 percent advance. Chairman and ceo Alex Grass cited "a rate of lowering in prices of prescription products and the weak economy."

The chain closed the year on Feb. 29 with 2,452 stores operating in 22 states; only 80 of those stores were new openings. The chain closed 48 locations last year.

Rite Aid at a glance

Company name: Rite Aid Corporation.
Headquarters: Shiremanstown, Pa.
Officers: Alex Grass, chairman and ceo; Martin Grass, president and chief operating officer.
Sales: $3.75 billion (drug segment $3.53 billion).
Store count: 2,452.
Store size: 6,700 square feet (5,800 selling).
Markets: 22 states.
Highlights: Development of prototype store; greater focus on price image.

Rite Aid sales rise



FY ended Feb. 29, 1992
Source: Rite Aid

Prototype defined

With major acquisitions and absorption behind it, Rite Aid is focused on improving its current operations.

A big part of the program is a new larger store format bowed in early 1992. At 8,000 square-foot store, it has widened aisles and extra footage for merchandise—particularly food bought on promotion.

Rite Aid futher expanded the food inventory it already doubled one year ago. "Food is a product that's consumed at a fast pace so it produces good incremental sales. It also has an identifiable price," said Grass.

Price and promotion became the operable words. The chain's sharper price focus and attention to customer value was evident at the chain in promotional aisles where merchandise was displayed in cut-case fashion.

Private label plays a big part in the chain's price image. Said vp-merchandising Jerry Cardinale: "Sales of private label often exceed sales of the leading national brand."

Toys, housewares, trial sizes and candy were three high margin merchandise areas expanded at the chain. The chain also tested a one-dollar section in its prototype store, and it intends to add the section to 1,000 additional locations this year.

The pharmacy department had a facelift, including the addition of a patient consultation area, which will be added to all new stores and remodels, according to Alex Schamroth, executive vp of pharmacy operations.

The chain also focused on grabbing a bigger share of third party business. The chain named Joel Feldman, formerly Rite Aid's assistant vp of third party sales, to be vp of managed care services.

High-tech improvements

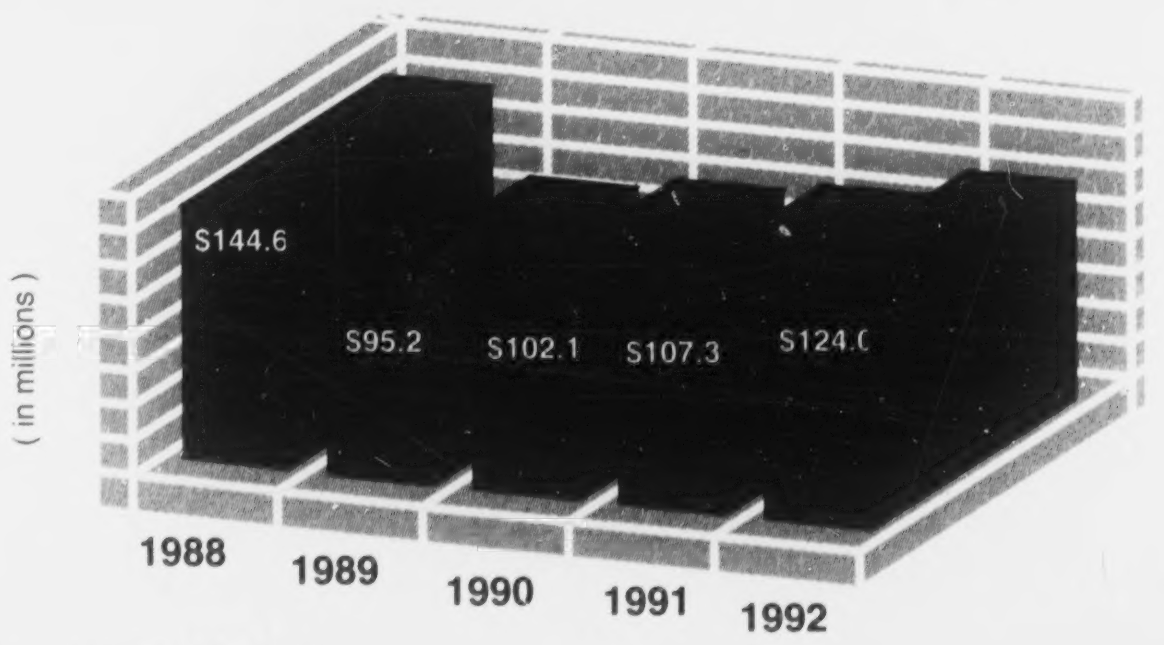
To ease the flow of third-party transactions, Rite Aid brought its on-line adjudication up to 42 percent of claims and upgraded its pharmacy information systems.

It brought its number of stores equipped with POS scanning equipment up to 600. A chainwide rollout of POS side scanning equipment is planned within the next 12 months.

Automatic replenishment systems were tested in 20 locations as the chain worked at tightening inventory controls.

Rite Aid plans to add 24 locations in 1992 with a refocus on freestanding stores and an increase in metro area strongholds.

Rite Aid earnings gain



FY ended Feb. 29, 1992
Source: Rite Aid

PayLess at a glance

Company name: PayLess Drug Stores.
Headquarters: Wilsonville, Ore.
Officers: Tim McAlear, president/ceo; Dave Jessick, senior vp/cfo.
Sales: $1.89 billion.
Store count: 401.
Store size: 36,000 (26,000 selling space).
Markets: 10 Western states.
Highlights: Acquired 52 Osco stores as part of 20 percent climb in store count; split chain into two marketing regions with California separate from nine other states.

PayLess doubles down with brisk growth, upfront Rx

WILSONVILLE, Ore. — PayLess played fast in 1991's slow economy with an aggressive 25 percent increase in stores, a new regional structure to optimize its California market, and a drive to win new customers with highly visible upfront pharmacy placement. Following an active expansion program over the past six years, PayLess has doubled its penetration since 1985 to reach 401 stores in 10 western states with around half of the stores in California.

The chain added 80 stores, including 52 Oscos, in 1991 and plans to open 42 more this year, mainly in northern California, Rocky Mountain states and the Pacific Northwest.

The Kmart subsidiary showed strong performance with a net income rise of 18.9 percent on sales of $1.89 billion for the fiscal year ended Jan. 29, up from $1.64 billion in 1990, for an expansion-driven sales increase of 15.2 percent and with same store sales increasing 2.7 percent.

After acquiring 52 Osco stores in Colorado, Wyoming and Utah in 1991, PayLess split the chain into two marketing zones earlier this year. Nine states comprise one zone with California as a separate zone or region, enabling the chain to focus on California's unique consumer demands while merchandising effort is concentrated on other Western states separately. A third distribution center in Utah, scheduled for completion in 1993, will provide added support for stores outside the Pacific states.

Payless is upgrading as well as expanding. Since introducing its REX award-winning 45 degree floor design, which enhances the visibility of core departments, 27 sites have been remodeled to reflect the format. Six more remodels are planned for 1992, with an estimated 95 percent of new stores conforming to the 45 degree format as space allows.

PayLess is also courting customers with convenience, a good demographic bet as the large baby boom group ages. Most new and remodeled stores are positioning pharmacy near the entrance with comfortable waiting areas and convenient rest rooms. Since pharmacy customers are sometimes unwell, the upfront pharmacy signals that PayLess won't make them walk farther than necessary to fill a prescription. As with most chains, pharmacy is an increasing percentage of sales, growing from 18 percent of sales in 1990 to 21 percent in 1991.

The PayLess acquisition strategy reflects a drop in new shopping center construction. To pursue both fill-in and new market expansion, the chain is modifying its usual store lease program to include purchase of existing store sites, such as the recent purchase of three Vons.

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Phar-Mor at a glance

Company name: Phar-Mor, Inc.
Headquarters: Youngstown, Ohio.
Officers: Michael Monus, president; Joel Arnold, senior vp-operations; Joe Pingue, senior vp-marketing; James Teichman, senior vp.
Sales: $2.86 billion (calendar 1991).
Store count: 250 at FY-end June 30, 1991; 294 projected by June 30, 1992.
Store size: 65,000 square feet.
Markets: 33 states coast to coast.
Highlights: Entered six new states and major markets like Dallas/Fort Worth; neared $3 billion in sales; secured new financing; named Jeff Walley vp-finance.

Phar-Mor cuts back . . .to light speed

YOUNGSTOWN, Ohio — Few may have noticed, but Phar-Mor Inc. has scaled back slightly on its explosive growth strategy. The deep discount drug giant, which doubled its store count to 200 stores between 1988 and 1990, is now opening "only" between 50 and 60 stores a year.

To its competitors, that may seem cold comfort—like slightly downgrading Hurricane Hugo to a major tropical storm. They're still dealing with gale-force winds.

One addition/week

That's because Phar-Mor is still cracking along at an average pace of one new store every week, each of which extends the chain's message of "Power Buying" and everyday discounts up to 50 percent off.

What's more, the chain is now coast-to-coast in its reach, with 292 stores in 33 states and 60 more units planned over the next year. And it continues to stalk major new markets as it does its best to fill in existing ones, despite a gloomy environment for retail development.

In the past three months alone, Phar-Mor has opened in two new major markets, Dallas/Fort Worth and Salt Lake City. It has begun scouting sites in the Washington, D.C.-area of northern Virginia. It is preparing to add its second and third stores in the key Detroit metropolitan region as it builds presence in Flint/Saginaw and other Michigan markets. Recently entered states like New Jersey are also getting more stores in the near future, as is San Antonio, Texas.

Out west, meanwhile, Phar-Mor is fleshing out its two-store entry into California last year, with new stores set for Fresno and Colton, a town east of Los Angeles in the desert near Palm Springs.

6 new states in '91

These plans come atop an eventful year for the chain in 1991. Over the past year, the off-pricer pushed into six new states—New York, Delaware, Kansas, Arkansas, Utah and California—and leased a distribution center in Aurora, Colo. to support its expanding Western presence. It built on its recent incursion into other western states, including Arizona, and it added to market strongholds like Florida.

Faced with the drying up of retail development and the need to maintain its torrid growth pace, Phar-Mor has gone to its banks or the capital markets three times in the last year for more expansion funding. Last June, the company sold a $200 million stake to an affiliate of Lazard, Freres & Co. In October, Phar-Mor sold another $112 million in equity through a private stock placement. And in late March, the company secured new financing through its lending banks by boosting its revolving credit to $600 million and placing $155 million in senior debt. The funds will ease expansion during the current real estate crunch.

"To remain competitive with other national retailers that are expanding across the country, we decided that Phar-Mor needed to have the financial capacity to develop sites," said president Mickey Monus.

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Expanded POS scanning recharges Longs' strategy

WALNUT CREEK, Calif. — Longs Drug Stores took up arms in the face of increasing competition in its primary California and western markets in 1991, vying for share with expansion-driven PayLess and Walgreen and site-heavy rivals Sav-on and Thrifty.

The chain deployed POS scanners in 44 of its 266 stores—up from six in 1990—and plans installation of another 109-plus units this year. The rollout provides Longs with a retail information system slated to beef up its decentralized store management strategy.

Longs store managers price according to the local market, meeting competition on value item pricing but also looking for opportunities to price for better margin when the market allows. Managers are responsible for ordering and are authorized to seek alternative redistribution sources as well.

Explaining how the POS system supports store autonomy, William Combs, vp-administration and corporate relations, noted that it allows store managers to continually monitor their retail prices to insure that the goods are appropriately priced. Compared with POS systems in many other chains, noted Combs, "we're using it a different way, but we'll be able to get many of the advantages that come through large purchases."

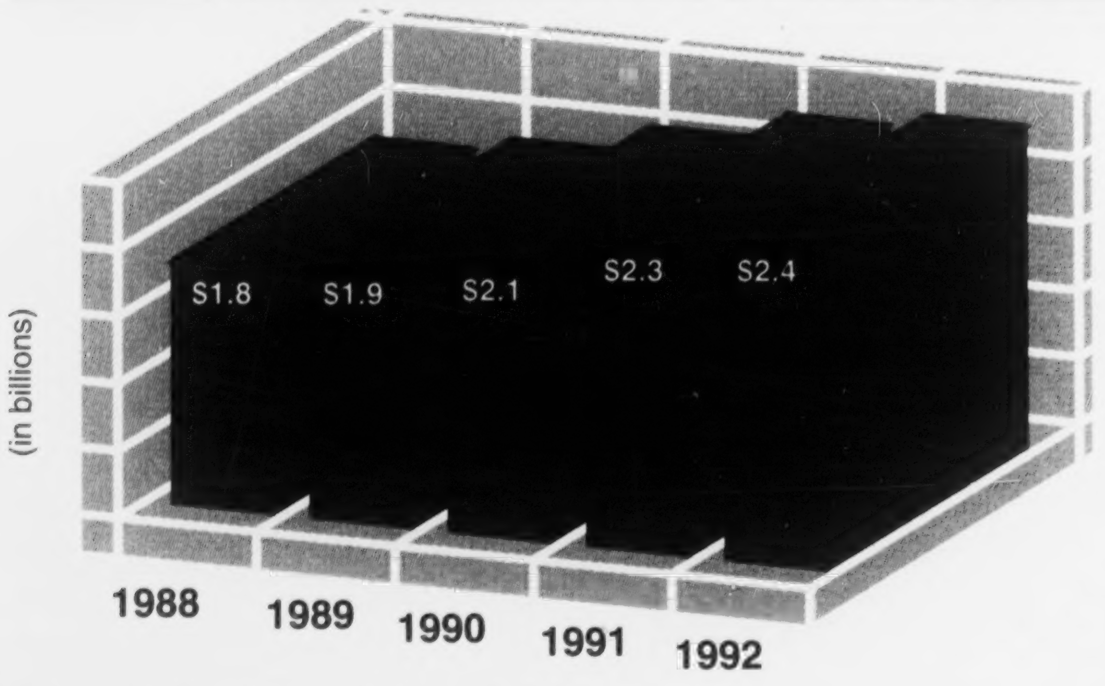
In the 1991 fourth calendar quarter, the 44-store group was on the IBM 4680 system for the full period, reportedly resulting in benefits in gross margins and some labor savings. Aided by gains from the POS system, said Combs, "we are optimistic that we will see improved earnings later in the year."

Longs year-end earnings report cited a 7.1 percent decline in net income for the fiscal year ended January 30, 1992 (vs. a 2.7 percent drop in the prior year), although the figures were dimmed by a unfavorable comparison due to an extra week in the previous fiscal year. The company noted that except for the one week variance, fourth quarter sales and income would have surpassed the same period of the previous year. Sales edged up 1.4 percent (vs. a 10.6 percent rise the previous year) to $2,365,916 from $2,333,767, impacted by a recessionary economic climate as well as the change from a 53-week to a 52-week reporting period.

The chain's remodeling program, although not intended as a dramatic image statement, resulted in upgrading and freshening of around 20 percent of the chain in 1991. Some remodeling projects were part of the chain's policy of continually upgrading while avoiding the cost of deferred maintenance, according to Combs. Other projects focused on some pharmacy reconfiguration to accommodate patient counseling and increasing volume. Pharmacy as a percentage of sales increased over two percent last year, from 23.6 percent to 25.9 percent, of which around 50 percent is in third-party programs.

Eight new stores were added and three underperforming stores closed during 1991. The chain eliminated one small distribution center last year, reducing the total to four DCs. Currently, Longs has three stores under construction and plans a total of six to eight new stores for the current fiscal year.

Longs sales growth



FY ended Jan. 30, 1992. Source: Company reports.

Longs at a glance

Company name: Longs Drug Stores.
Headquarters: Walnut Creek, Calif.
Officers: Bob Long, chairman/ceo; Steven Roath, president/chief operating officer.
Sales: $2.37 billion.
Store count: 266.
Store size: 24,000 square feet (selling 15,800).
Markets: California, Hawaii, Colorado, Nevada, Alaska, Arizona.
Highlights: POS scanning increased from six stores to 44, with 109 more slated for 1992. 50-plus stores upgraded in 1991, with projects planned for 50 more stores in 1992.

Thrifty sells units, juggles execs for turnaround

LOS ANGELES — Thrifty Drug Stores faced 1992 under the gun, as holding company Pacific Enterprises gave the management team of the 624-store chain a year to effect a turnaround while PE hunts for buyers of Thrifty Corp.'s five other retail units.

Citing a 1991 operating loss of $53 million for its retail drug, discount and sporting goods companies plus a $110 million loss provision for sale of retail units, PE hung the for-sale sign on Thrifty Corp.'s more profitable retail segments, including the Pacific Northwest Pay 'n Save Drug chain, which posted sales of $547.1 million, up from $527.6 million the previous year.

PE retained loss-ridden Thrifty Drug—which posted year-end sales of $1.81 billion, down from $1.82 billion—with a turnaround mandate to make the chain more saleable. After opening 15 new stores and closing around the same number in 1991, Thrifty Drug ended the fiscal year with same-store sales increases of 2.4 percent, compared to 2.1 percent in 1990.

By the end of 1991, Thrifty completed its POS scan rollout, which is expected to benefit the chain in increased margin and reduced inventory loss in 1992. In its annual report, Pacific Enterprises noted that Thrifty Drug is projected to reduce its operating losses but to incur a loss for the total year. The annual report stated: "If Thrifty Drug fails to make satisfactory progress in implementing its turnaround strategy, Pacific Enterprises will reevaluate its support for the program."

The mandatory turnaround year will be tough, as 580 of Thrifty's stores are in California, which continues to be hit by waves of layoffs in defense and other industries. Thrifty faces strong competitors like well-entrenched Longs Drug and PayLess, which is snapping up sites in the West, as is Walgreen and Sav-on, with its recent acquisition of California CVS stores.

Thrifty Corp. recast its executive roster in three sharp bursts during 1991 and early 1992, starting with the appointment of former Southern California Lucky Stores president William E. Yingling III, who joined Thrifty Corp. midyear as chairman and ceo.

Yingling's management style collided with Thrifty Drug president Eve Rich, according to Thrifty sources. In October, former apparel exec Rich resigned after an 11-month tenure marked by sweeping management changes. Management shakeouts under Rich preceded a new sweep in the fall as Yingling brought in four executives with backgrounds at Lucky Stores, Rite Aid, Macy's and recruited veteran Thrifty buying vp Robert LaFerriere, who departed in March 1992.

Four months after Yingling revamped Thrifty Drug's executive suite, Pacific Enterprises made a surprise move in March 1992, apparently intended to accelerate Thrifty's turnaround. Joseph Coulombe, entrepreneur and founder of the successful 27-store Trader Joe's chain of gourmet markets, was appointed co-chairman of Thrifty Corp., with president-/ceo Yingling reporting to Coulombe.

In its initial launch under Rich, Thrifty Drug's new prototype featured front-of-store with a new traffic flow and graphics to highlight core departments and what Thrifty dubbed "destination worlds." Unlike the chain's 1970s-style earth-tone decor, the prototype combined wider aisles and a backdrop of white floors and walls, along with striking color-coded department signing for a bright, open look.

Although around 41 Thrifty stores were remodeled in 1991, the prototype has remained in a test phase as the chain reevaluates ways to reach its market. Thrifty's strategy for 1992 is to improve store appearance with "facelifts" scheduled for 350 locations.

While Rich's approach emphasized female shoppers, Yingling told *Drug Store News* early this year: "We believe that the markets we serve are very heterogeneous. Whether you look at profiles in terms of ethnic, age, income or psychographics, there isn't one particular format that meets one need." Thrifty plans to focus on more localized sales and merchandising efforts, but to what extent this will modify the Thrifty prototype and merchandising strategy remains to be seen.

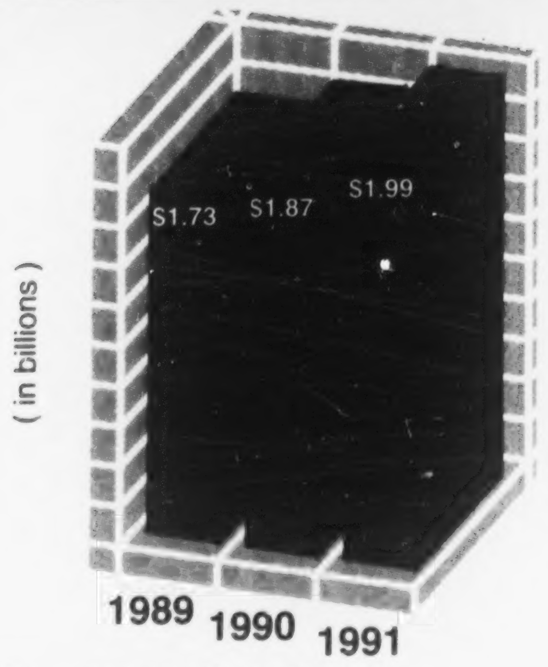
Thrifty's ad campaign, launched in February 1992, promotes the neighborhood drug store concept and the chain's half-century history with cautious messages like "Thrifty. . .bringing it home," or as Yingling said: "For now we're relying on trusted things we know we can deliver."

Thrifty at a glance

Company name: Thrifty Corporation.
Headquarters: Los Angeles.
Parent: Pacific Enterprises.
Officers: Joseph H. Coulombe, co-chairman; Daniel A. Seigel, president and chief operating officer; William E. Yingling, ceo and co-chairman, president Thrifty Drug.
Sales: $3.25 billion.
Store count: 1,053 including 551 Thrifty Drug Stores and 69 Thrifty Juniors, 124 Pay 'n Save, 42 Bi-Mart drug and discount, 267 sporting goods stores. (Includes $2.36 billion in drug store sales including Thrifty, Thrifty Jr. and Pay 'n Save, virtually even with the prior year volume.)
Store size: Thrifty Drug 19,000 square feet (16,000 selling space).
Markets: Alaska, California, Hawaii, Idaho, Nevada, Arizona, Washington, Oregon.
Highlights: Revamped Thrifty Drug management team with personnel changes in most key positions; parent Pacific Enterprises to sell five retail units excluding Thrifty Drug; new prototype launched for ongoing test and modification; completion of POS rollout.

Tailored mix and formats keep HSI competitive

HSI sales grow



FY ended Aug.31,1991
Source: Company reports.

CINCINNATI — For Hook-SupeRx Inc., 1991 was a year marked by experiments in merchandising and new store formats.

The company posted sales of $1.99 billion in its fiscal year ended Aug. 31, a 6.7 percent gain over the $1.87 billion rung up in the prior year. Same-store sales gains accounted for about 5.7 percentage points of the growth, with new stores making up the rest.

Sustaining that growth may not be easy, given the soft economy in the Northeast and increasing competition in many of HSI's markets.

That softness caused HSI to scrutinize its merchandising strategies. Gayl Doster, Brooks president, told *Drug Store News*: "We've started to focus on individual stores and look at micromarketing to tailor each store to a specific market. We have to act like a loose confederation of independents."

Former approach improved

Doster said that the cookie-cutter approach his division had historically used is being replaced with modifications to the merchandise mix.

The division remodeled 42 sites in 1991 to its new format. The prototype, for which the chain won a 1991 *Drug Store News* Retail Excellence Award (REX), features additional space and recessed lighting in the center aisle and greater emphasis on cosmetics and pharmacy.

The Brooks division has also identified photofinishing as one area of opportunity. In addition, HSI's SupeRx division added photofinishing departments to five sites in 1991. The move came one year after HSI sold its photo processing equipment to Colorcraft and hired Qualex to do its processing.

Cost cutting

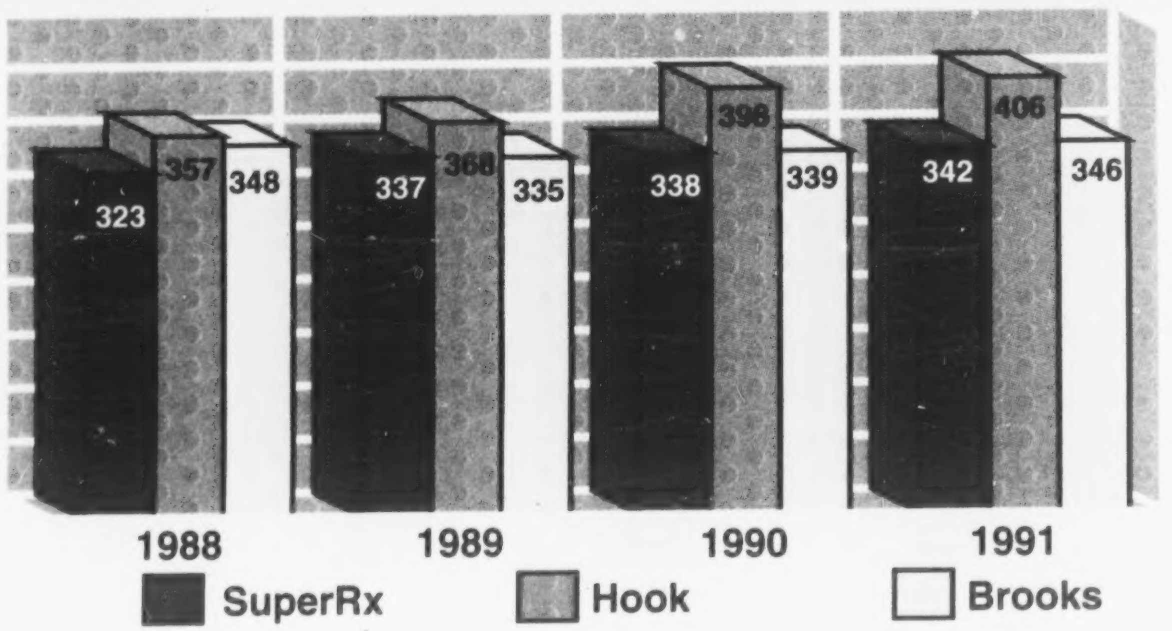
Across all divisions of HSI, cost-cutting efforts led to a reduction in SG&A costs as a percentage of sales to 22.8 percent from 23.4 percent a year earlier.

Pharmacy grew as a percentage of total HSI sales in 1991 to 46 percent from 43 percent a year earlier. HSI expects its continued pursuit of new customer segments and increased sales to third-party payers to fuel further prescription growth.

In FY 1991, about 43 percent of the total prescription sales were filled under third party.

HSI's SupeRx Deep Discount Drug Stores, which operate as 13 Drug World and Warehouse Drugs stores, accounted for 3.2 percent of HSI sales. The division added two sites in 1991. Store openings for the Brooks, Hook and SupeRx divisions remained steady.

Hook store counts stabilize

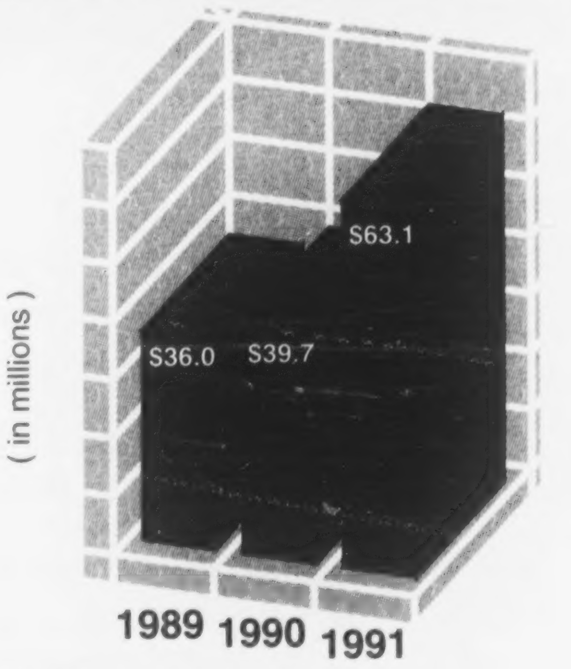


*HSI also has 32 home healthcare centers and 13 deep discount stores.
FY ended Aug. 31, 1991. Source: Company reports.

Hook-SupeRx Inc. at a glance

Company name: Hook-SupeRx, Inc.
Headquarters: Cincinnati.
Officers: Philip Beekman, chairman; Thomas Stilgenbauer, president, SuperRx division; Russell Mesalam, president, Hook division; Gayl Doster, president, Brooks division.
Sales: $1.99 billion.
Store count: 1,107 drug stores, including 346 Brooks, 406 Hook, 341 SupeRx, 32 Hook Home Health Care Centers and 13 SupeRx Deep Discount Drug Stores (Drug World and Warehouse Drugs).
Average store size: Brooks—6,800 square feet (5,200 selling space); Hook—7,900 square feet (6,800 selling space); SupeRx 10,800 square feet (8,500 selling space); SupeRx Deep Discount—21,000 square feet.
Markets: 22 states in Midwest, South and Northeast.
Highlights: Accelerated efforts in targeted marketing; rollout of REX-winning Brooks prototype.

HSI cash flow rises



FY ended Aug.31,1991
Source:Company Reports

Cost controls drive Genovese 20% profit hike

MELVILLE, N.Y. — Record sales and earnings in fiscal 1992 underscored how Genovese and its Great American division are thriving despite depressed economic conditions in its primary trading area.

Sales for the fiscal year ended Jan. 31 edged up 3.5 percent to $447.2 million from $432.0 million a year ago—a modest uptick that can be attributed to a hard-hit local economy and intense competition in the New York metro area.

But stringent cost controls at the chain lifted net income by 20.8 percent to a record $6.7 million from $5.5 million a year earlier. Those gains were made in spite of a $615,000 settlement of litigation with the State of New York that was charged to the fourth quarter.

DC program gives boost

A year-long program to lower product acquisition costs and improve productivity in the distribution center and at store level is credited with giving a boost to the bottom line.

The chain also went green to cut costs. An energy-saving lighting system replaced four 60-watt bulbs with two bulbs and reflectors in nine sites, enabling Genovese to reduce its utility bills by eight percent. Eying savings that could total $1 million per year, the chain is planning to convert 30 additional sites in '92.

Core categories a plus

Core categories helped the Long Island-based chain flex its merchandise muscle. Pharmacy sales continued to increase as a percentage of Genovese's business, rising to 31.9 percent of total sales volume from 29.6 percent a year earlier.

Photofinishing volume increased 30 percent over the prior year, thanks largely to the installation of nine one-hour mini-labs, an emphasis on quality, frequent promotions, and the creation of a frequent buyer program, in which customers get a roll processed free after paying for development of 10 rolls.

Rather than cannibalize Genovese's own in-house professional labs, the mini-labs have complemented the chain's business.

Cautious openings

The chain remained cautious when opening new stores; only two Genovese locations and two Great American deep discount stores were added in '91. Genovese ended its fiscal year with 94 Genovese and four Great American sites. The chain plans six to seven new store openings this year.

Although that pace slowed, Genovese made advances on other fronts, including eight remodels. It also stressed the installation of POS scanning, ending the year with 21 stores equipped, up from eight the year before.

"We continued to roll out POS scanning using the IBM 4680 series," said Allan Patrick, evecutive vp. "We are adding scanners at the rate of one every two weeks. At the end of this year, we expect to have 50 to 55 sites equipped with POS scanning."

The chain spent 1991 working on EDI. "We have about 20 major suppliers live on EDI with Genovese for order placement," said Patrick. "Another 30 are being tested."

A year-long program to lower product acquisition costs and improve productivity in the DC and at store level is credited with giving a boost to the bottom line.

Genovese at a glance

Name: Genovese Drug Stores.
Headquarters: Melville, N.Y.
Officers: Leonard Genovese, chairman and president; Herb Kett, vice chairman.
Sales: $447.2 million.
Store count: 94 Genovese drug stores, 4 Great American deep discount drug stores, plus Living Color Photofinishing store and plant.
Store size: 12,000 square feet.
Markets: New York, New Jersey, Connecticut.
Highlights: Two additional Great American locations added, double-digit growth in photofinishing; acceleration of POS scanning program.

SDM sales, earnings up despite tough Canadian market

> *Shoppers Drug Mart responded to the inhospitable economic environment with aggressive marketing and advertising, and protected its market share.*

TORONTO — Shoppers Drug Mart/Pharmaprix, Canada's leading drug store group with 32 percent of industry sales, recorded solid gains in sales and operating earnings in a frigid Canadian market.

Canadian retailers faced a weak economy, a decline in consumer confidence and a new Goods and Services Tax that went into effect early in 1991. Retailers found that implementation of the tax drove consumers over the border to hunt for bargains in the U.S.

Shoppers Drug Mart responded to the inhospitable economic environment with aggressive marketing and advertising, and managed to protect its market share and promote consumer traffic. Throughout the chain's 671 stores, 250 million transactions were recorded in 1991.

SDM's "Thanks a Billion" promotion offered customers savings on hundreds of everyday items and weekly specials. And a new "Customers are Really Everything" program offered employee incentives for good service.

And some stores expanded their hours. By fiscal year-end on Dec. 31, 1991, seven locations were open 24 hours and 50 others open until midnight.

Retail postal outlets were added to 75 sites, raising that total to 100 stores. Canada Trust banking machines were added to a number of locations, and food item sections were served up in 41 sites. SDM launched Shoppers Drug Mart Express Photo, a one-hour photo service, in nine stores. The chain intends to expand the department to more sites in 1992.

A tight rein on costs and smart buying helped the chain attain 5 percent same-store sales gains. SDM posted sales of $2.93 billion in 1991 compared with $2.84 billion in 1990.

Prescription sales led growth, with a 12 percent increase in comparable store sales. The chain cemented its public image as a provider of health care information in 1991 by associating with the Canadian Breast Cancer Foundation. In November, SDM distributed 600,000 information cards describing the correct method of breast examination.

Private label continued to grow at the chain. Sales of Shoppers Drug Mart, Life Brand and Rialto brand products accounted for 7 percent of sales. In 1992, SDM will convert the Shoppers Drug Mart line to Life Brand labeling, a move the company says is due to high consumer confidence in the latter line.

Cosmetics, already a strong category for SDM, will benefit from upgraded in-house cosmetician programs and the debut of a training program for SDM cosmetics salespeople.

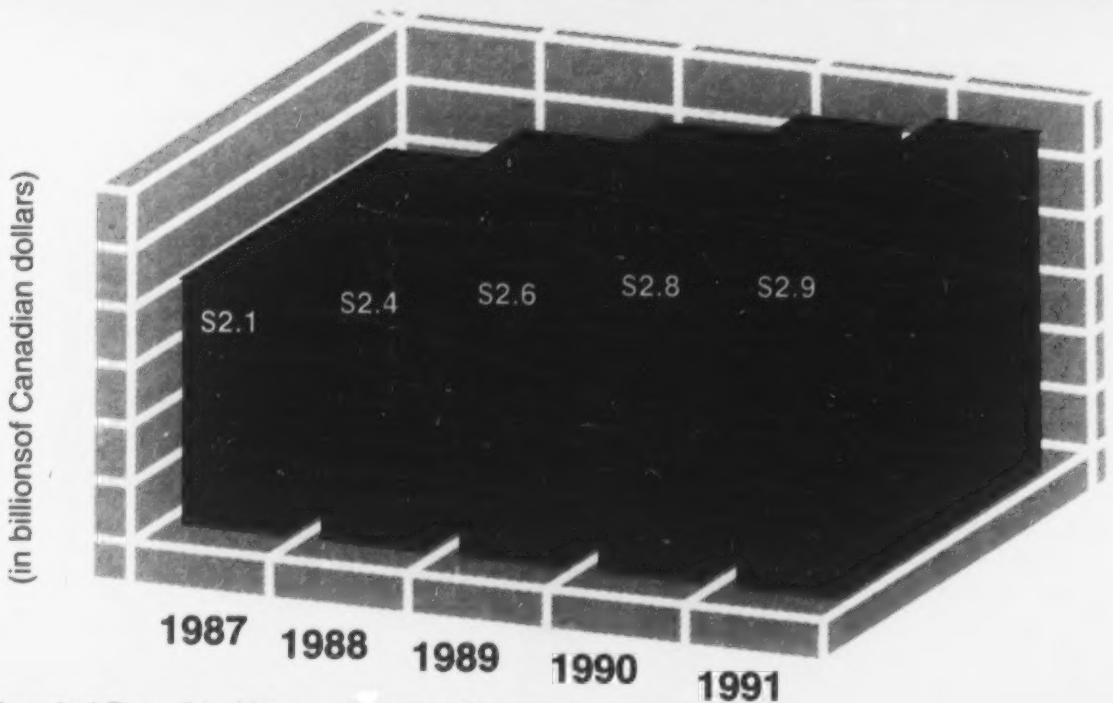
SDM added 26 stores in 1991 and expects to add a similar number in 1992.

Growth is particularly strong in Quebec, where Pharmaprix ended the year with 62 stores. The company's 19 Home Health Care Centres continue to grow in number and importance.

Shoppers Drug Mart at a glance

Name: Shoppers Drug Mart/Pharmaprix.
Headquarters: Toronto, Canada.
Officers: David Bloom, chairman and ceo; Herb Binder, president and coo.
Sales (systemwide): $2.93 billion (Canadian dollars).
Store count: 671 stores.
Store size: 7,500 square feet (5,660 selling).
Highlights: Set new strategies to overcome impact of new tax; greater emphasis on customer service and convenience; tighter cost controls.

Shoppers Drug Mart systemwide sales



FY ended Dec. 31, 1991. Source: Company reports.

Arbor opens spigot with planned 20-store expansion

TROY, Mich. — Buoyed by a steady stream of record-setting results and its growing reputation for rewarding investors and lenders, Arbor Drugs has pulled out the stops on its growth strategy.

The 29-year-old drug chain is already halfway along with a planned 20-store expansion this year, up from 14 new openings in fiscal 1991. That growth will all come in Michigan, which remains home to all 122 Arbor drug stores, and the chain remains optimistic that the southern half of the state will provide enough growth site opportunities to sustain momentum for several more years.

Arbor's tight geographic focus is one reason why the chain can hold down its operating costs and produce such a profitable store revenue stream. All units are within an easy drive of its single, 233,600-square-foot distribution center, which is automated and enlarged to support the growing store base. Arbor's chairman, Eugene Applebaum, says the chain will eventually move outside its home state, preferably through an acquisition in a nearby market, but the chain seems in no hurry to do that.

Instead, Arbor continues to boost its same-store results and earnings by staying highly disciplined and focused on its core business and its customer needs. Notes the company's last annual report, "To achieve operational excellence, Arbor maintains higher staffing levels at its stores than the industry average. In an era when customers are being asked to shop without assistance, Arbor stands out as a customer-focused store."

Nevertheless, payroll costs are consistently lower than the industry average, says the company.

This service approach is complemented by separate management structures for stores and pharmacies, the company noted, and by an ongoing, aggressive store remodeling program. The chain remodels its stores every five years—a key factor, it says, in its steady growth in sales per square foot to $449 last year vs. $369 five years previous.

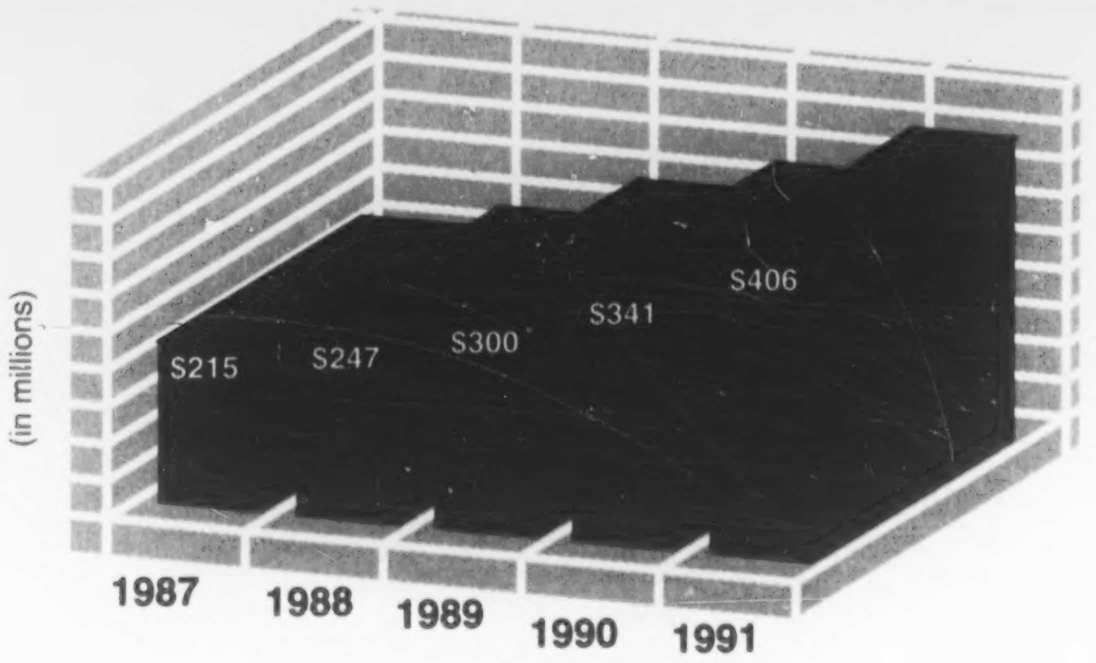
Arbor also invests heavily in higher productivity through automation. Last fall, the chain completed chainwide installation of POS scanning systems in all stores, joining a handful of drug chains with total POS.

"Technology has played and will continue to have a pivotal role in our ability to achieve significant operating efficiencies, enhancing Arbor's ability to provide the prompt service our customers have come to expect," Applebaum said.

The chain's efforts continue to pay off in its results. Arbor notched an 18.6 percent increase in net earnings in fiscal 1991, and in the first six months of the new fiscal year its earnings have shot up 23.8 percent to $8.4 million. Same-store gains are equally impressive: 8.4 percent for the six months ended Jan. 31, 1992. Pharmacy sales have risen to about 45 percent of total revenues, and Arbor now claims 26.2 percent of the metro Detroit drug store market.

Wall Street continues to applaud the company's success. Shearson Lehman Brothers recently joined a growing number of investment firms that have added the chain to its "Buy" list for "consistent earnings growth," and Arbor remains a consistent favorite among those who track the nation's best-managed regional companies. Applebaum himself added another to his own list of plaudits, receiving the annual silver honoree award in March from *The Wall Street Transcript*.

Arbor sales increase



FY ended July 31, 1991. Source: Company reports.

Arbor Drugs at a glance

Company name: Arbor Drugs, Inc.
Headquarters: Troy, Mich.
Officers: Eugene Applebaum, chairman/ceo; Markus "Max" Ernst, executive vp/chief operating officer; Donald Stutrud, senior vp-store operations.
Sales: $405.9 million (fiscal 1991).
Store count: 112 at FY-end July 31, 1991; 122 as of April, 1992.
Store size: 10,800 (8,300 selling).
Markets: Michigan (primarily southeastern).
Highlights: Growing expansion rate, record results, chainwide POS.

Record earnings, Carls buy boost Fay's results

LIVERPOOL, N.Y. — Fay's cemented its presence in the New York market and added New Hampshire and Vermont to its area of operation with the puchase of the 48-unit Carls Drugs in April 1991.

Fay's continues to operate 43 of those sites. Integrating the former Rome, N.Y.-based Carls proved a smooth task, according to Fay's president and chief operating officer Daniel O'Leary.

Carls/Fay's similarities

"The stores had a similar merchandise mix and were similar in size, although Fay's had more depth in seasonal and general merchandise," O'Leary said.

Most stores will get minor facelifts this year, although some will get major remodels.

"The real estate was in good condition in most of the stores and no major remerchandising was needed," he said.

Also acquired was a one-hour photo processing lab in one Carls location, which O'Leary said is profitable and has the chain planning additional sites in 1992.

Promotions, core categories

Fay's fiscal year came in like a lion, with its record first quarter. That gain was largely due to its stepped up marketing program begun at the end of 1990, when it shifted its advertising strategy to more circulars and less ROP newspaper ads.

"Last year, we concentrated on the productivity of our ad dollars," said O'Leary. "We concentrated on major advertising pieces with a good balance of merchandise and a focus on value and ran them more frequently." One result: store traffic was up.

By the third quarter, below-target sales in seasonal and general merchandise put a drag on profits. Said O'Leary: "Consumer a nose dive. The economy was dismal in October."

Still, pharmacy and traditional drug store merchandise sales held up well and helped the chain post sales gains for the quarter of over 17 percent. Prescription sales accounted for over 35 percent of Fay's total drug store sales for the year. That percentage was up slightly over last year's prescription percentage.

Lawsuit: earnings cut. . .

Fay's portion of a settlement of a lawsuit by the State of New York that affected almost every chain operating in New York was charged against Fay's third quarter and cut into earnings. Net earnings for that quarter fell to $4.5 million, compared with $5.0 million the previous year.

. . .but gains in sales

The chain still posted year-end sales at $836.2 million, a healthy 24.3 percent over last year's $672.6 annual sales figure. Overall store gross margins held fairly steady at 29.4 percent.

With the litigation behind it, Fay's is poised to take advantage of economies of scale that the Carls purchase provides, putting the chain closer toward its goal of operating 280 drug stores and reaping $1 billion in sales by 1994.

Last year was also Fay's first year with O'Leary officially at the helm as president and chief operating officer. His former post as executive vp, in which he was in charge of virtually all departments other than store operations, merchandising and marketing, was eliminated in November 1990.

More exec positions

Some of those duties are now overseen by others, who report directly to O'Leary. James Poole, Jr., vp of finance and cfo, was given responsibility for store planning and construction, market research and MIS.

Consumer affairs, real estate and loss prevention now report to Warren Wolfson, senior vp and general counsel.

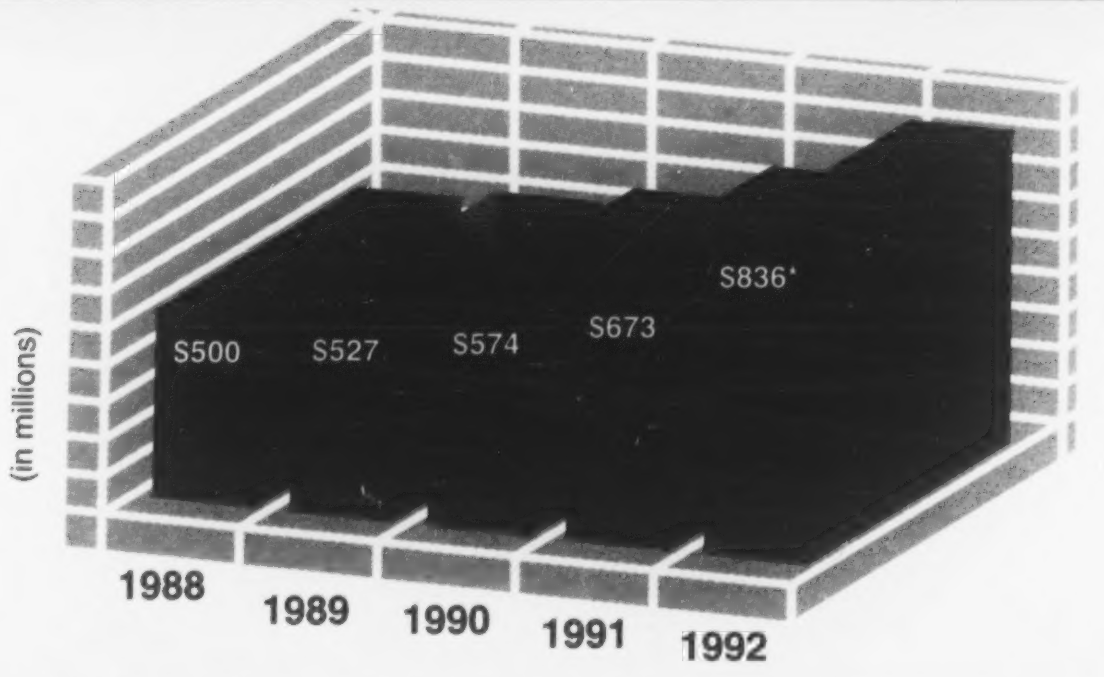
At the end of the fiscal year, Fay's operated 252 stores in five states. The greatest share of stores (over 200) are located in New York, and 38 stores are in Pennsylvania. The chain operates two stores in both New Jersey and Vermont and one in New Hampshire. It plans 19 store openings in 1992.

Technology was a focus for the chain in 1991, with POS scanning in 172 stores by the end of 1991—a 45 percent climb in a year. Equipping all Carls locations with POS scanning is a goal in 1992.

Fay's at a glance

Company name: Fay's, Inc.
Headquarters: Liverpool, N.Y.
Officers: Henry Panasci, Jr., chairman/ceo; Daniel O'Leary, president/chief operating officer.
Sales: $836.2 million.
Store count: 252 drug stores, 28 Wheels discount auto parts stores, 33 Paper Cutter discount office and party supplies stores.
Store size: 13,200 square feet (10,600 selling space).
Markets: New York, Pennsylvania, New Jersey, Vermont, New Hampshire.
Highlights: Acquisition of 48-unit Carls Drug Stores.

Fay's sales climb



FY ended Jan. 25, 1992. *Results include drug stores, Wheels and Paper Cutter units.
Source: Company reports.

> *Most stores will get minor facelifts this year, although some will get major remodels.*

F&M expands into New England and builds strength

WARREN, Mich. — For F&M Distributors, the industry's pioneering deep discounter, 1991 was another year of milestones. The 37-year-old company cracked the New England region for the first time, swept by the 100-store mark and hit $700 million in sales.

Considering the fact that the chain consisted of a single, 9,000-square-foot store until 1977, those achievements look all the more impressive.

F&M ended fiscal 1991 on Jan. 31, 1992 with 107 off-price stores, up from 92 the previous year. Sixty-four of those stores have pharmacies, and a surprising 55 include one-hour, on-site photo labs. F&M stores also include fully staffed cosmetics counters and a merchandise mix that is heavy on name-brand HBA and household products.

Despite the fact that its stores are considerably smaller and more tightly focused in their merchandise mix than are some of its off-price competitors, averaging 17,000 square feet of selling space, F&M racks up enviable per-store sales averages of more than $6.5 million.

Success without advertising

What's more, the stores function largely without the benefit of advertising or sales promotions. Word-of-mouth is still the rule, as laid down by president and chief executive Frank Newman.

Last September, the chain brought its potent blend of everyday low prices and deep HBA selection to the New England region.

Enters the Boston area

F&M made its first incursion in Brockton, Mass., just south of Boston. It quickly followed up with store openings in other metropolitan Boston towns, including Natick, with plans in the works this year for additional units in nearby towns like Braintree, Saugus, Somerville and North Attleboro.

In January, Newman said the chain was pleased with the early performance of its first Boston-area stores. "If we're doing as well as we are right now with the New England economy the way it is, we should be in very good shape when things pick up," he said.

The move into Massachusetts extended F&M's reach into nine states in the North Central, Mid-Atlantic and Northeastern regions of the country. It also underscored the chain's ability to successfully target some of the nation's biggest metropolitan areas and go where population is dense and income levels are high enough to support the chain's brand of stock-up retailing.

Along those lines, the deep discounter continues to fill in stores in its other major markets, including Chicago, Detroit, Minneapolis/St. Paul, Washington, D.C./Baltimore and Milwaukee.

On tap this year: another 15 stores, according to Newman.

Management appointments

To support its growing reach, F&M continues to add depth to its senior and mid-level management.

Major appointments over the past year include: Earl Weissert, executive vp of store operations, traffic and distribution and pharmacy; Matthew Keller, senior vp of merchandising; Timothy Gower to regional vp of store operations in Michigan, Ohio and Eastern markets; and Michael Micallef, regional vp in charge of the western group of stores in Illinois, Indiana, Minnesota and Wisconsin.

F&M at a glance

Company name: F&M Distributors
Headquarters: Warren, Mich.
Officers: Frank Newman, president/ceo; Earl Weissert, executive vp-store operations/distribution/pharmacy; Laura Kendall, vp-central operations/cfo; Michael Micallef, vp-store operations.
Sales: $700 million.
Store count: 107.
Store size: 25,000 square feet (17,000 selling space).
Markets: North Central, Midwestern, Mid-Atlantic, New England.
Highlights: Surpassed 100-store mark with 15 new stores; entered Boston market; strengthened management team.

Reinvented Perry notches performance turnaround

PONTIAC, Mich. — Perry Drug Stores has come through a watershed year. In the midst of sweeping management changes, the chain nevertheless regained its earnings momentum and posted convincing evidence that its turnaround is real.

Reversing a $6.2 million loss the previous year, the company racked up $3.1 million in net earnings in fiscal 1991 despite a one-time, $2.5 million charge against earnings related to the settlement of a four-year-old lawsuit stemming from the sale of its auto parts division. Same-store sales were also up substantially, rising 3.4 percent for the year and 8.3 percent for the final quarter.

The first quarter of fiscal '92 looks even better, with earnings jumping 75 percent to $2.5 million and same-store results up more than 11 percent in a weak economy. Meanwhile, Perry continues to lower its SG&A costs as a percentage of sales and strengthen its balance sheet by paying down debt.

The improvements came despite a series of major management changes last year. In August, president and chief operating officer Dave Schwartz resigned to take the helm at Smitty's, a 24-store food and combo chain in Phoenix. Schwartz, a veteran of Skaggs, Albertson's and Kroger Co., had been lured to Perry in June, 1987 by chairman and ceo Jack Robinson to help engineer the company's turnaround and renewed focus on core drug store operations.

Schwartz' departure was soon followed by that of vp of marketing and merchandising David Green, who had come in as part of Schwartz' handpicked hires at Perry and who followed his boss to Smitty's.

By that time, however, Robinson, Schwartz and other Perry managers had laid the groundwork for renewal.

Restructuring

Robinson took over as president and ceo and began staffing up. He and the board promoted 16-year veteran Andy Giancamilli to the key post of senior vp of store operations. Senior vp, general counsel and secretary Bob Berlow took on human resources and real estate, as well. Stephen Lund, a 15-year Perry veteran, was named vp of merchandising in line with a department reorganization aimed at making the buying and merchandising process more responsive to consumer demands and shifting market conditions.

Other staff-ups included the appointment of vp and cfo Jerry Stone to the board of directors; Warren Jeffery to regional vp for metro Detroit; Robert Sarvas to vp of pharmacy operations; and Tim McAleece to regional vp in charge of outlying Michigan markets.

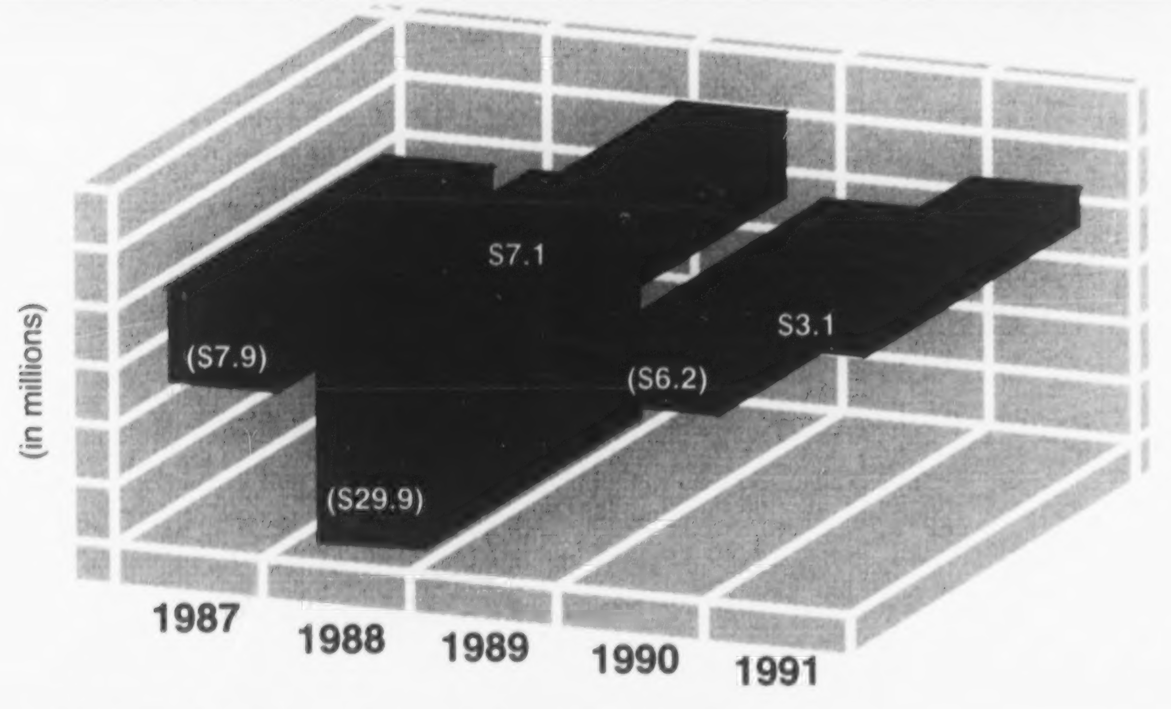
The staff changes were only part of the story. The chain also underwent major changes in its geographic structure, pulling out of all outlying markets and completing a four-year shift away from non-core operations to focus on its profitable, core Michigan drug store operation. It sold off the bulk of its Chicago stores to chain drug veteran Fred Barney and other investors last October and exited Milwaukee. It also sold the last components of its health care division, applying the funds to pay down debt and lower interest payments.

Perry also extended its "Store of the '90s" remodeling program to another 25 stores last year and is nearing chainwide rollout of the new format. The chain also boosted the number of 24-hour stores in the state to 47, and completed integration of the former Revco units bought a year earlier.

This year, Perry will convert another 25 stores to its prototype and add gradually to its base of 212 drug stores. It's also nearing the end of a test of POS scanners for a planned rollout.

Robinson summed up the changes at Perry at the chain's annual shareholders' meeting in March: "We. . . ultimately reinvented Perry."

Perry earnings rebound



FY ended Oct. 31, 1991. Source: Company reports.

Perry at a glance

Company name: Perry Drug Stores.
Headquarters: Pontiac, Mich.
Officers: Jack Robinson, chairman, ceo and president; Andy Giancamilli, senior vp-store operations; Robert Berlow, senior vp-general counsel/secretary.
Sales: $640.8 million.
Store count: 212 at FY-end 10/31/91; 209 currently.
Store size: 10,540 square feet (8,200 selling space).
Markets: Michigan.
Highlights: Restored earnings turnaround; revamped management team and structure; shed non-core operations and markets; launched new ad themes; boosted pharmacy sales 26 percent.

A freer Thrift acts to bolster market share

PITTSBURGH — Thrift Drug gained a greater measure of freedom to act on its own last year, and the 541-store chain moved quickly to take advantage of its newfound independence.

Parent company J.C. Penney changed Thrift's status from an operating division of Penney to a separate, wholly-owned subsidiary last summer. That marked a major change in Thrift's status, allowing the drug chain to dictate far more of its own policies and agenda.

Thrift president Bob Hannan praised the move, which gave Thrift its own board of directors and authority for its own budget, saying, "We must take action and risks in many business areas in a stand-alone mode."

The chain didn't wait long to begin taking those "actions and risks." In Atlanta, it pushed hard to shore up market share and image for its Treasury Drugs division, which incorporates a common private label theme with Thrift.

Earlier this year, Thrift took a bold step in its home market to boost its already strong leadership role. With plenty of marketing hoopla, it launched a free, storewide home delivery service for virtually all Pittsburgh-area customers.

The service, which offers free delivery to home or office of any order worth more than $10, is the largest, most comprehensive such program offered by the chain drug industry. It includes not only prescription drugs, but also any of the 25,000 items found in the store.

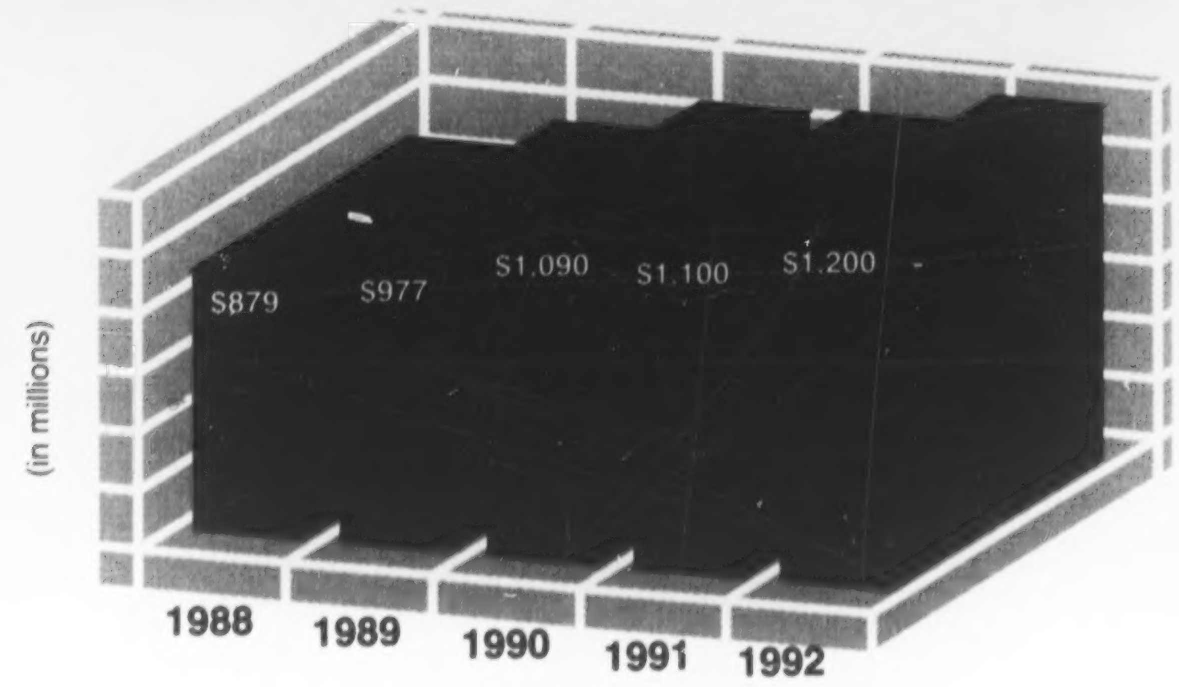
Thrift's regional vp Dennis Cuff said the chain would probably extend the service to other markets after watching results in Pittsburgh. "We think this will create a new niche for us," Cuff said in March.

Earlier last year, Thrift had already taken a major step to shore up its strength in western Pennsylvania with the purchase of 31 Health Mart stores from CVS. Thrift kept 26 of the stores open and also purchased the assets of a 50,000-square-foot warehouse in Uniontown, Pa.

It also added to its retail arsenal last year with the development of an additional format to wedge into some of its upscale markets. It makes use of boutique-style department settings for bath items, natural foods and other product groupings, with roomy interiors and striking graphics and signage.

Sadly, 1991 also marked the death of James Armor, former Thrift Drug president. Armor, who was 65, had steered Thrift into a major Eastern and Southern retail force with more than 500 stores in 17 states during his tenure.

Thrift sales edge up



FY ended Jan 25, 1992. Source: Company reports.

Thrift at a glance

Company name: Thrift Drug.
Headquarters: Pittsburgh.
Officers: Robert Hannan, president; Tony Civello, executive vp-operations.
Sales: $1.2 billion (drug segment, $920 million).
Store count: 541.
Store size: 9,600 square feet (7,500 selling space).
Markets: 18 states.
Highlights: Gained more autonomy as a wholly owned subsidiary of J.C. Penney; launched a home delivery service in Pittsburgh; developed an additional format for upscale markets; James Armor, former president, died at the age of 65.

Profits, optimism buoy Big B

Big B at a glance

Company name: Big B.
Headquarters: Bessemer, Ala.
Officers: Joseph Bruno, chairman; Anthony Bruno, president.
Sales: $487.8 million. **Store count:** 301.
Store size: Big B, 9,000 square feet; Drugs for Less, 20,000 square feet.
Markets: Alabama, Georgia, Tenn., Florida, Miss.
Highlights: Posted record 4th quarter earnings and reduced debt by $21.7 million.

BESSEMER, Ala. — Big B is poised for store additions in 1992 after spending more than two years to lower the hefty debt service from its takeover of Reed Drug in 1989.

Expectations are high for the 301-store drug chain following record sales and earnings during its recently ended fourth quarter.

After closing seven unprofitable stores this past year, plans call for eight to 10 stores to open in the second half of 1992 and perhaps an additional 10 to 15 stores per year thereafter. The expansion has been made possible because the chain reduced its debt and eliminated operational problems.

"Big B is in a very positive situation now," said Steve Huffines, research director at the Birmingham-based brokerage of Stern, Agee & Leach.

Plants feet on ground

The drug chain is now almost fully recovered from its 1989 acquisition of 85 stores in Georgia from Reed Drug Company. The buyout led to consolidation and conversion problems at the same time Big B was trying to cope with the pressures of the highly competitive Atlanta market. The leveraged acquisition also saddled Big B with hefty debt service payments that have only recently begun to come down.

Another large debt payment is due in July, according to Napoleon Overton, an analyst with Morgan Keegan & Co., who noted Big B "has five consecutive quarters of solid progress following its troubles in mid-1990."

Net sales increased to $487 million in the fiscal year ended Feb. 2, 1992 from $463 million in 1991. Sales are estimated to increase to $514 million in 1993 and $550 million in 1994.

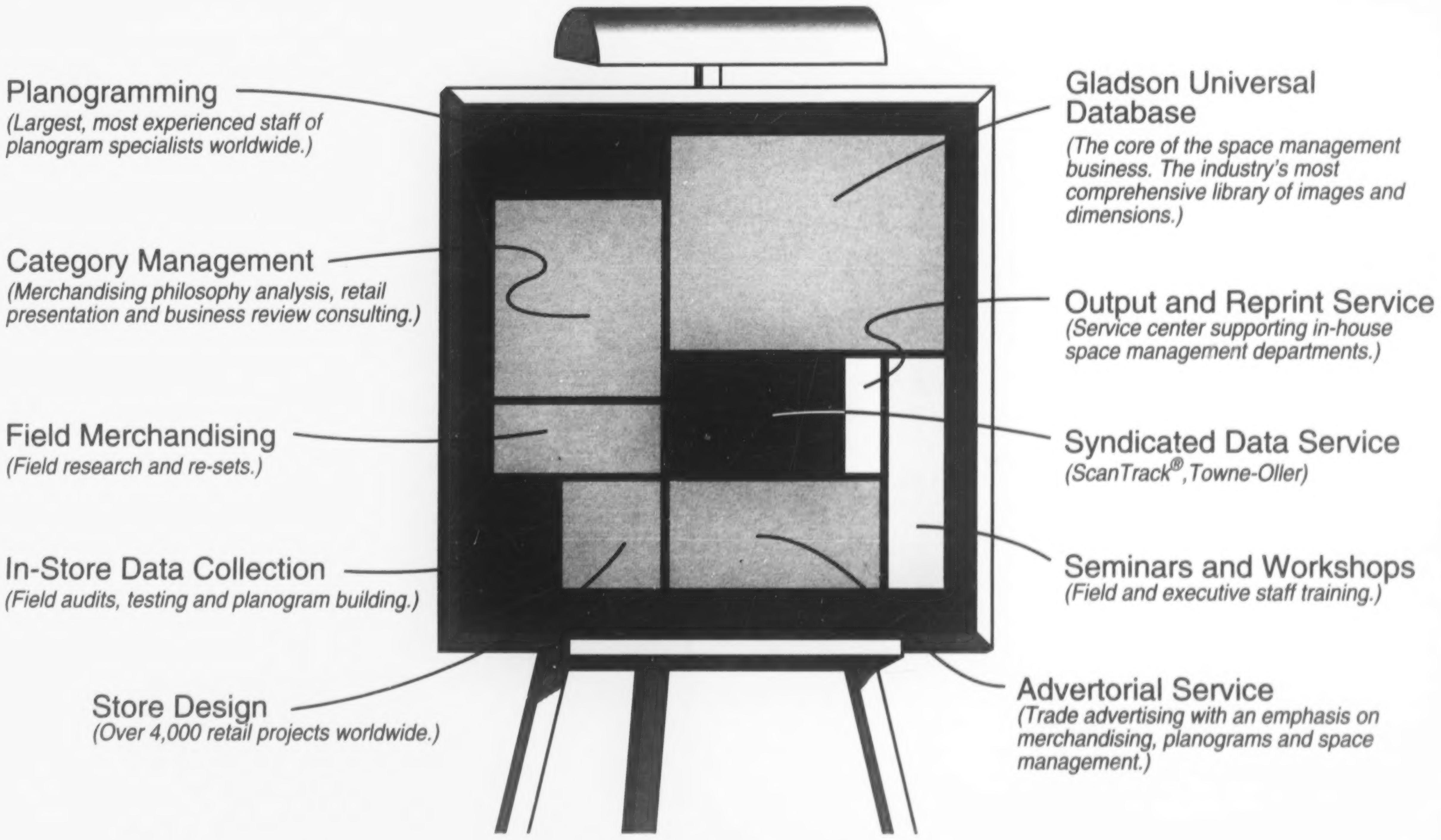
In the meantime, Big B's annual interest expenses will decline. After spending $7.3 million on debt service in 1991 and another $5.5 million in 1992, debt service drops to $3.5 million in 1993 and $3 million in 1994.

"Fiscal 1993 earnings are expected to reach all-time record levels of $1.15 per share, which would be a substantial 34 percent increase over fiscal 1992's strong results," Overton said.

With earnings up and debt service down, Big B will have more cash available for building, acquiring and remodeling stores. Five stores are slated for remodeling in the coming year and all store pharmacies will be fully computerized.

Pharmacy sales accounted for a larger part of the chain's total sales: about 47 percent in the latest year compared with 45 percent a year earlier.

The Art Of Space Management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Drug Emporium restructures

COLUMBUS, Ohio — Like many retailers, Drug Emporium has spent the past year running a recessionary gauntlet and getting bruised in the process. But the nation's second-biggest deep discount drug chain has lost little time in trying to right itself.

Drug Emporium was hit with a double whammy in the fiscal year ended Feb. 29. First, the 231-store chain discovered significant errors from an outside service tracking its inventory movement, leading to a sizeable downward adjustment in its gross margin calculations and new rounds of cost-cutting efforts. Second, the recession that was supposed to go away last year didn't. Result: customer traffic slowed, prices and margins were lowered in some markets and earnings dried up.

Thanks in part to a $2.4 million charge for the inventory-error adjustment, as well as a one-time charge resulting from the closing of the five-store Jacksonville, Fla. operation, the company reported a $1.1 million loss in the first nine months of fiscal 1992, ended Nov. 30, 1991. That sobering loss capped a downward trend that began two years ago, following peak earnings of $8.2 million in fiscal 1990.

Company bounces back

But over the past year or more, Drug Emporium's managers have responded with a series of dramatic steps aimed at restoring profits and momentum.

For one thing, the company has taken a hard look at its competitive strategy and market image. It adjusted gross margins in Atlanta and other key markets to find the right balance between high turns and profitability. It largely abandoned new franchise arrangements in its continuing move to corporate-run stores. It installed new store computers and began upgrading its information-gathering capabilities.

Drug Emporium also cut back on store expansion to focus instead on improving sales and profits in existing stores. It focused on merchandising, testing new approaches to cosmetics and fragrances in McLean, Virginia and resetting departments like greeting cards, candy and snacks to take better advantage of deals.

More recently, Drug Emporium has overhauled its entire operations and purchasing system to simplify the field management structure, centralize purchasing functions and make its stores more responsive to consumer trends. As part of that effort, the chain transferred all accounting and marketing efforts to the central office and all buying functions from store level to the regional offices. Beginning March 1, Drug Emporium also consolidated store operations, shifting from 12 regional offices to five.

The centralization should aid the company in its efforts to cut inventory levels in the stores by as much as a quarter of a million dollars. Another goal: raising turns from 3.5 to at least six.

Drug Emporium at a glance

Company name: Drug Emporium.
Headquarters: Columbus, Ohio.
Officers: Phil Wilber, chairman; Gary Wilber, chief executive; Robert Lyons III, president and chief operating officer; Rich Landers, vp-marketing and merchandising.
Sales: $1.5 billion estimated for FY-end Feb. 29, 1992 (figures not released at press time).
Store count: 127 corporate stores, 104 franchised stores.
Markets: Nationwide.
Highlights: Revamped and centralized field operations, purchasing, marketing and accounting; promoted key executives to new posts; slowed expansion in New England and other markets; made moves to boost automation and cut costs and inventory levels.

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May 18, 1992

DRUG STORE NEWS®

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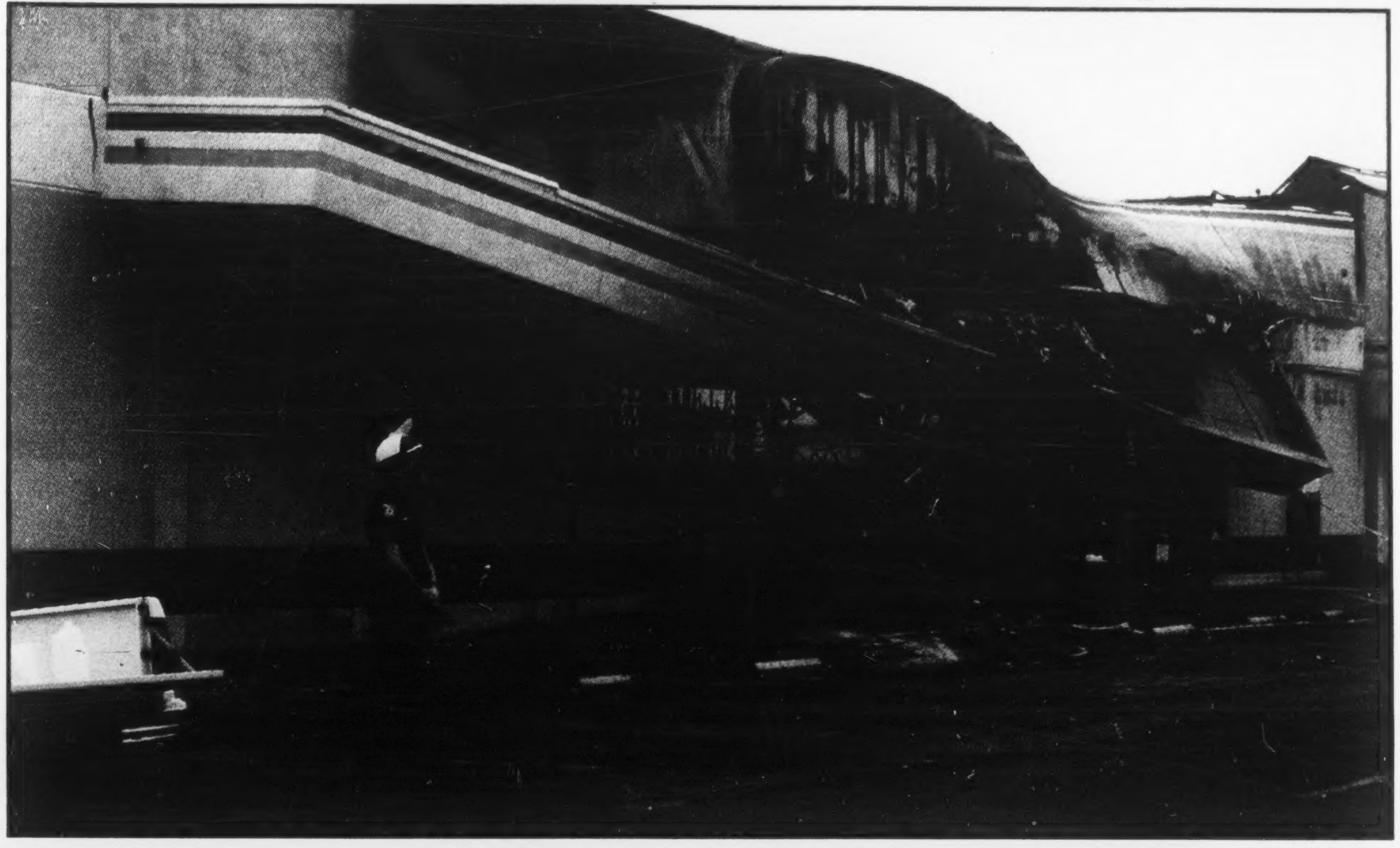
Drug chains torched, looted in L.A. rioting



Thrifty Drug Store on L.A.'s Crenshaw Blvd. was torched in the early hours of the rioting, but police and National Guard kept vigil even after damage was done.

Thrifty absorbs biggest loss

By Allene Symons

LOS ANGELES — For three days, L.A. was under siege: flames ravaged buildings, smoke billowed skyward throughout the city, sirens wailed and gunshots rang out. From the first broken glass to the time when police and National Guard, Army and Marines finally reclaimed the city from looters and arsonists, the densely stored drug chains of Southern California suffered repeated blows.

Hardest hit was Thrifty Drug Stores, losing four of its 46 area stores when looters torched the sites after carrying out bags and trunkfuls of goods, a scene repeated thousands of times in businesses around the city.

Embers were still smoldering when the chain counted the heavy toll on this already troubled chain. Beside the four stores completely burned, 19 others were looted. Sav-on Drug lost one store to arsonists and four others were looted. A.D. Clark had one store completely burned, another was torched but saved, while a third was looted. Several stores, including a Thrifty, went up in flames just across the street from one Clark store. Clark's president and ceo, Richard Brombach, told *Drug Store News* that in this location, "Clark was spared—we don't know how—we watched everything burn."

In Southern California, often called "overstored," dozens of

See on page 3

LATE NEWS

• LOS ANGELES – At presstime, Thrifty chairman William Yingling said final negotiations were under way on the sale of Thrifty Corp. units and an announcement was imminent. Parent company Pacific Enterprises said it expected to post a large loss in connection with the sale.

• TWINSBURG, Ohio –Filling a management void, Revco has promoted Clarence Nichols, former regional vp of the Southern Region, to senior vp-store operations. Replacing him as regional vp is Bobby Tamplin.

FEATURES

Teens new angle to boost sales

Chains are focusing on new marketing strategies to entice teens into their stores and boost their bottom line. Page 13.

Selection key to reading glasses

Selection and service are bringing the reading glasses category into sharper focus and getting sharper returns for retailers. Page 36.

SECOND CLASS

PE poised to sell all Thrifty units

LOS ANGELES — In a strategy reversal, Pacific Enterprises disclosed that in recent weeks it has been involved in discussions to sell Thrifty Drug Stores as well as the other units that comprise its Thrifty Corp. subsidiary. Talks are now under way for the sale of Thrifty Corp. as a single entity.

"The discussions are for the purchase of all of Thrifty Corp., which includes all six of its retail chains," PE spokesperson Tom Sanger told *Drug Store News*. Sanger also said that PE has not excluded the possibility of selling the retail units separately.

This is in contrast with PE's February position, when it announced the decision to divest its retail business but keep Thrifty Drug Stores for a time in order to improve profitability. "We had intended to retain Thrifty Drug Stores and support its turnaround effort, so this is a departure from the original strategic restructuring program," said Sanger.

It appears that the sale of all or part of Thrifty Corp. could wrap up ahead of PE's original timetable, which had the parent company on a soft search for buyers, one expected to take up to 18 months.

On unconfirmed reports

See **PE** *page 41*

Rite Aid to buy Wellby; deal puts chain in Maine

By Barbara White

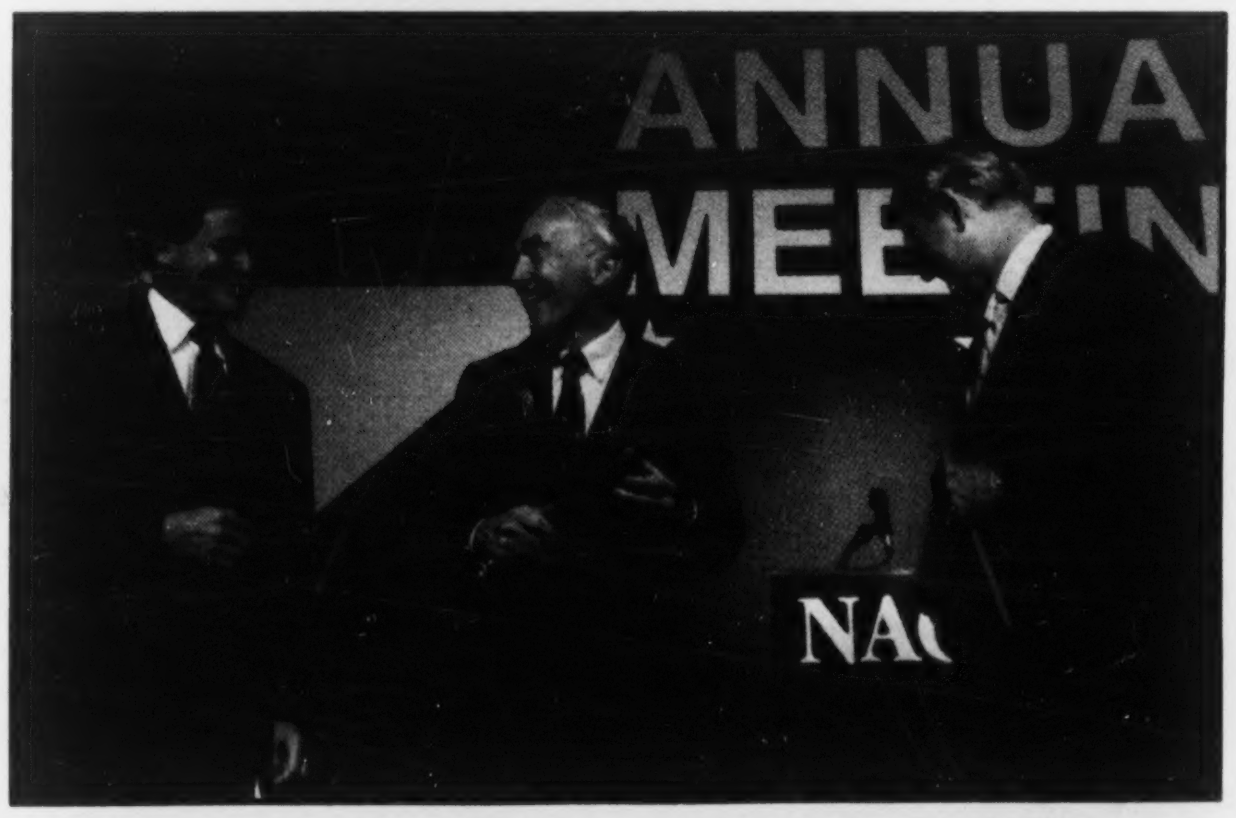
SHIREMANSTOWN, Pa. — Rite Aid has agreed to purchase 34 of Hannaford Bros. Co.'s 41 Wellby Super Drug stores. The purchase will strengthen Rite Aid's presence in the New England market and put the chain into Maine for the first time.

Under the purchase, Rite Aid will add seven stores in New Hampshire, where it already has 12 locations, and 27 stores in Maine. The chain currently operates 2,450 drug stores in 22 Eastern states.

Wellby's average store size (8,500 square feet) and merchandise mix made the stores attractive to Rite Aid, according to spokesperson Carolyn Fray. "The stores have convenient locations and

See **Rite Aid** *page 41*

The gavel passes. . . .



At NACDS' annual meeting in Maui, Phil Beekman, center, outgoing NACDS chairman, presents symbolic gavel to his successor, CVS president Harvey Rosenthal, as the association's president, Ron Ziegler, looks on. The five-day event drew some 2,400 attendees from chain and associate member companies, the largest number ever. Coverage of the meeting can be found on page 6.

NEWS IN BRIEF

PayLess to build new DC in Utah

WILSONVILLE, Ore. — PayLess Drug Stores has selected a site for its third distribution center, a 610,000-square-foot facility to be constructed north of Ogden, Utah. Construction will begin mid-summer; the center is slated to open in late 1993.

The DC will be almost 20 percent larger than its 500,000-square-foot DCs in Wilsonville, Ore. and Woodland, Calif., and when completed will be the largest DC in the state.

Jewel-Osco 74-store sale completed

SALT LAKE CITY, Utah — American Stores Co. announced that it has completed the sale of 74 Jewel-Osco combination food and drug stores and a general merchandise warehouse to Albertsons Inc. for approximately $325 million, net of current liabilities and taxes. Proceeds from the sale will be used to reduce long-term debt, according to the company.

The stores, divested as part of American's strategy of selling underperforming units, are located in Texas, Oklahoma, Arkansas and Florida and the warehouse is in Oklahoma.

Phar-Mor to back U.S. gymnastics

YOUNGSTOWN, Ohio — Phar-Mor has agreed to become the title sponsor of the U.S. Gymnastics Championships in 1992 and 1993. The 293-store off-price chain inked a two-year pact with the U.S. Gymnastics Federation as the exclusive sponsor among drug, off-price, supermarket and video rental retailers.

"Phar-Mor and U.S. gymnastics are a good combination," said chain president Michael Monus. "This is another wholesome, family sport which can produce the audience that Phar-Mor desires. In turn, gymnastics will benefit through our advertising and in-store merchandising programs."

McK's Polastri honored

Polastri

NEW YORK, N.Y. — Joseph Polastri, president of McKesson Corporation's McKesson Distribution Group division, will be the guest of honor at the Drugs, Cosmetics and Personal Care Division of UJA-Federation of New York's annual dinner. The dinner will be held June 24 at Manhattan's Pierre Hotel.

Eckerd makes Burger vp- Express Photo

CLEARWATER, Fla. — Jack Eckerd Corp. has appointed Tim Burger vp of Express Photo. Burger has served as director of Express Photo since 1985. He will report to Ron Koch, Eckerd's vp of photofinishing.

Express Photo was founded in 1983 and has rapidly grown into a 328-location store-within-a-store chain with sales projected to be $75 million for 1992.

Albertsons revamps ad campaign. . .

BOISE, Idaho — Albertsons relaunched its attack on the recession after retreating from its month-long "war on recession" campaign in March. The original ad featured a military theme and reportedly was pulled after evoking negative customer reaction. The supermarket and drug chain recently bounced back in its 17-state market with a gentler recession-minded campaign under the slogan: "We know what you're going through . . . Albertsons. It's your store."

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Phar-Mor eyes profits with new vision care centers

By Mike Troy

Phar-Mor has entered the increasingly competitive discount eye care market with the recent announcement of a six-store pilot program.

The Youngstown, Ohio-based deep discounter and Eye Care Centers of America, Inc. have agreed to an 18-month test of Vision For Less centers at stores in the San Antonio, Texas and Youngstown markets. The 1,500-square-foot centers require store remodeling and will be opening during the next few months.

"We thought that the eye care category would complement the mix of products we currently offer our customers," said Carol Robinson, Phar-Mor's vp for advertising and public relations. "We had been considering the program for about a year and felt that Eye Care Centers offered an opportunity to enter the field in partnership with a company that has a proven track record."

The location of Eye Care Centers within each store will vary from location to location, but all will be accessible from within the Phar-Mor stores, according to Mary Bowman, manager of marketing services with Eye Care Centers.

"We entered into an agreement with Phar-Mor because we were looking for a situation that would allow us to go into an environment where people were already predisposed to getting bargains and power buying," Bowman said. "By placing Vision For Less centers in their stores it allows Phar-Mor to offer more value to customers and gives us access to its existing customer base."

If the test program proves successful it could be expanded prior to the end of the 18-month test period. Discount store giants Wal-Mart and Kmart have been successful with the eye care concept, according to Bowman.

"I have not seen any of their financial information, but I believe they have done quite well with it," Bowman said. "This is a facet of the market that hasn't really been tapped into."

Eye Care Centers of America, Inc., is a wholly owned subsidiary of Sears, Roebuck and Co., which also operates 105 EyeMasters and Binyon's stores in 35 markets. EyeMasters and Binyon's are more upscale stores that offer one-hour service and a wider selection of frame styles, Bowman said.

IRI buys Towne-Oller & Assoc.; combined data a plus for industry

CHICAGO — Information Resources, Inc. has purcased New York-based Towne-Oller & Associates for $12 million.

Under the purchase agreement, Towne-Oller will operate as an independent subsidiary of IRI but will be enhanced by IRI's powerful software which will be applied to Towne-Oller's database.

"We can enhance Towne-Oller's business with technology and capital," IRI chairman Gian Fulgoni told *Drug Store News*.

The end users of data from the firms are often different, according to Towne-Oller's new president, Bob McCann, who came from IRI; the typical user of IRI data is headquarters personnel, he said, while Towne-Oller's users are typically salespeople.

IRI drug database is derived from a nationally projectable sample of 500 drug stores equipped with scanners. Towne-Oller has a store-by-store identified database of 30,000 supermarkets and 11,000 drug stores, and it tracks four-week store orders. The combination of data on what the stores bring in and what flows out creates a number of possibilities, according to Fulgoni.

"Although Towne-Oller doesn't track scanning data their sample size is enormous," said Fulgoni. "Our aim is to move the efficiency of the industry ahead so that decisions are based on fact instead of emotion."

Fulgoni said that once data gathered from InfoScan (IRI's national and local market scanner tracking device) is combined with Towne-Oller's data, IRI can create a new industry standard.

"A merging of data would combine the accuracy of volumetric data (census data supplied by Towne-Oller's supermarket and drug store base) with the power of InfoScan," he said. IRI is working to educate the retail trade on some of the ways the merging of data can help the industry make decisions. McCann said the marriage of systems should be complete in the next six months.

Combining the two information systems can also provide the industry with a valuable inventory management tool. "Now, manufacturers can measure the rate of shipping from the warehouse to the store against what leaves the store to get a real handle on inventory management including shrinkage," said McCann.

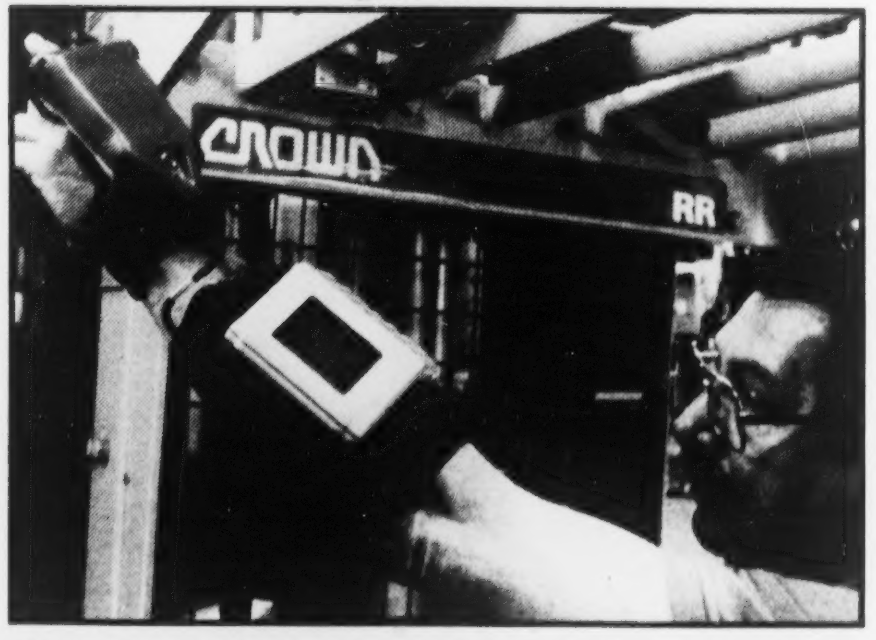
The databases could also be combined to measure geodemographic data, salesperson performance and marketing tests, among other applications.

McKesson revamps its DC network to make operations ultra high-tech

SAN FRANCISCO — McKesson Corp.'s consolidation of its distribution center network and gradual rollout of automated "megacenters" involves new technology using a wearable computer system: a 13-ounce glove with a small screen and keypad that emits a red laser beam.

The futuristic Acumax system, designed by Dallas-based EDS and Bohemia, N.Y.-based Symbol Technologies in conjunction with McKesson, combines portable bar-code scanning using a glove and radio transmissions to track the location of about 20,000 SKUs in a McKesson warehouse.

The bar-code scanning glove, developed by Symbol Technologies, fits on an employee's hand and forearm and weighs 13 ounces. It contains a laser scanner, a forearm-mounted keyboard display module and a waist mounted portable computer and battery power supply. The technology supersedes a holster-type hand-held scanner which must be removed and replaced. The glove keeps both hands free to lift and move shipping containers.



With the "point-and-scan" bar code reader, codes can be read 20 ft. above the warehouse floor.

Since the system was installed at the wholesaler's Spokane DC in March, reported efficiencies included scanning purchase order and in-

Continued on page 41

Being there: L.A. riots, hope in Hough

IN THE MARKET
BRUCE BUCKLEY

It started with the earthquake April 23, centered in Southern California. Not "the big one," but scary enough at 6.1 on the Richter scale.

Our West Coast bureau editor, Allene Symons, tracked down a freelance photographer who had taken pictures of the damage done to a Thrifty store in Palm Springs. She drove down from Los Angeles to the photographer's home in Orange County to choose a photo for this issue.

It wasn't until she returned home that evening that she learned the full impact of a far bigger and more frightening disaster story taking place, part of it literally within a stone's throw of her home in Long Beach: the rioting that began in the wake of the acquittal of four policemen in the beating of motorist Rodney King.

So began four harrowing days for Symons of gunshots in the night, billowing smoke from nearby arsonist-set fires and trips to local stores to photograph and report on damage caused by rioters and looters. A CVS/Pharmacy a block away from her home was saved from looters only because burglar bars and a fixture along the front window blocked their way.

Lebhar-Friedman's office in downtown Los Angeles was closed as a precaution, so Symons worked at home, making calls and shaping her notes into the stories that appear on pages 1 and 3. The stories are filled with the sights, sounds and acrid smells of a war zone—not exactly the stuff that readers normally find in a trade newspaper, but nevertheless on target: the retail drug store angle of a major law and order breakdown.

The gritty feel of Symons' stories and the stark visual evidence of her photos are possible only because we put reporters in the regions they cover. Symons covers the West out of our L.A. office, not New York. We have seasoned reporters in the Midwest (Jim Frederick working out of Cleveland); the South (Mike Troy in Tampa); and Northeast (Barbara White and Liz Parks in New York). Veteran correspondent Ken Rankin covers the Washington scene for us from his office in Maryland.

Our charge to reporters: get out into the regional markets you cover and bring in stories before they're generally known.

Rite Aid in Hough

When Barbara White began a story on a Rite Aid store that opened in the once-devastated Hough section of Cleveland (page 3), she asked Jim Frederick to talk to people in Hough about the importance of that pioneering store in their lives.

Hough was almost destroyed by one of the urban riots that took place in the '60s. It has only recently begun to recover, as Frederick discovered. New housing has begun to sprout in the area and so has commercial development.

Rite Aid opened the store about a year ago because it made good business sense. The chain knows how to operate profitably in inner city neighborhoods. The community uplift that the store provided was an added benefit. Rite Aid now has other stores in the East Cleveland area.

Frederick discovered a strong feeling of community in the ethnically diverse neighborhood of Hough. He also found heavy customer involvement in their local drug store.

"Customers get very involved in the product mix," he reports. "Fanny Lewis [the local councilwoman who helped bring Rite Aid to Hough] is in the store almost every day. The store special-orders some unusual OTC products for elderly customers and keeps them behind the pharmacy counter until they come in to pick them up."

That kind of first-hand reporting is possible only because Frederick lives and works in Cleveland.

Plan would give Rx approval time a jump

WASHINGTON PERSPECTIVE
KEN RANKIN

There may be some real relief in sight for millions of Americans shell-shocked by the steep rise in prescription drug prices over the past five years.

Last month the White House Council on Competitiveness uncorked a series of reforms to accelerate the approval of new drugs by the FDA. According to HHS Secretary Louis Sullivan, these changes are likely to save lives and reduce human suffering significantly.

But the reforms proposed by the Administration could slow the upward spiral of drug prices in this country and make new medicines more affordable.

Given the sky-high cost of medical research and the limited patent life of pharmaceuticals, the developers of new drug products have a powerful economic stake in getting their NDAs handled expeditiously by the FDA.

A delay of only a few weeks in the approval of an important new drug can cost pharmaceutical manufacturers millions of dollars. Those costs are passed on to drug stores and ultimately to patients in the form of higher prescription prices.

The new approach outlined by the Bush Administration calls for four key changes in the way the FDA reviews new drug applications:

- Streamlined procedures for "breakthrough" products allowing sponsors to conduct some effectiveness testing after the drug has been approved for marketing.
- "Parallel track" clearance to provide AIDS patients access to emerging pharmaceutical therapies while they are still in the experimental stage;
- "Harmonization" of drug safety testing to permit the FDA consideration of animal research conducted abroad; and
- Outside expert reviews of NDAs by private sector contractors.

If the plan works as Administration officials hope, the drug approval reforms will have a major positive impact on the health of patients and the pocketbooks of consumers. But will it work as promised? Or will the reforms backfire?

Despite assurances to the contrary from the FDA Commissioner David Kessler, some have suggested that the price of faster drug approvals will be a narrower margin of safety for patients.

There's also concern that the plan could actually delay some new drug approvals.

What happens to the NDAs that don't qualify for fast track treatment? Will their approvals be held up because the FDA drug reviewers are being diverted to study products that agency officials consider higher priorities?

For that matter, who will set those priorities? And will they be determined by medical concerns or on political considerations?

In addition, there's fear that putting the FDA under the gun to approve NDAs faster may cause the agency to shift resources away from other vital areas.

Everybody wants the FDA to bring safe and effective new drug products to the market faster. But not everybody would be willing to support the Administration's reform plan if it means slowing down approvals of cost-effective generic ANDAs, or abandoning Rx-to-OTC switches.

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